

THE TIMES

Battle for oil may lead to war, says minister

Scramble for oil could end in a world war, David Howell, the Energy Secretary, said today. The developed world's dependence on oil is being drastically reduced. In Washington, it was feared that Congress's rejection of an oil tax might prevent President Carter from calling for the Venice economic summit to call for international oil conservation.

West must cut back on Gulf supplies

Mr Howell's remarks come only days before members of the Organization of Petroleum Exporting Countries (Opec) meet in Algiers to discuss future pricing policy. He gave a warning that it would take the Western economies, built on cheap oil, many years to adjust to the changed world of supplies and rising prices.

This dependence on oil casts a triple shadow across hopes for world stability and peace. It put pressure on supplies and caused damage to Western economies. Enormous pressures were placed on British society by the need to absorb large price increases.

Secondly, oil dependence "murdered, crucified" the development plans of the developing countries. Tight supplies hampered their development and undermined their trade balances.

Thirdly, it set nation against nation in a struggle for too little oil. "East and West could jostle each other with increasing roughness in a desperate sort of international musical chairs." This could eventually lead to war.

Mr Howell said that it was necessary to escape from the oil trap, with the cooperation of other Community members, the United States and Japan. The International Energy Agency offered an appropriate forum.

After foreign policy t by oil-tax defeat

Mr Vozles Economics Dept, June 5. Mr Carter has suffered a stinging defeat at the Congress, which has hampered him in his negotiations. A recently passed legislation will kill the Carter administration's 10-cent-per-gallon oil tax. The President vowed to veto the bill, but Congress may ride the veto, so killing the measure designed to encourage energy conservation. The House yesterday passed a resolution of opposition to the import fee by 376 votes to 30 and today the Senate voted 73 to 16 on legislation killing the fee. The House today gave a strong voice-vote in favour of the Senate's Bill and sent it for signing to President Carter.

Ahead lie several days of intensive lobbying on Capitol Hill by the White House. Passage of this measure is crucial if the President is going to be able to declare confidently to the voters that his budget is balanced.

Continued on page 2, col 5

Closed shop ruling goes against BR and Britain

By Ian Bradley

The European Commission of Human Rights has found that the dismissal by British Rail of three men because they refused to join a trade union contravenes the European Convention on Human Rights.

The commission's report, published yesterday, has already been sent to the European Court. The United Kingdom Government, as defendants in the case brought by the three dismissed railwaymen, has now been arraigned before the court and it is expected that the Sir Keith Crosson will have to put the Government's case before a chamber of 10 judges in open court in Strasbourg this autumn. A date for the hearing has not yet been announced.

The commissioners' finding, by a majority of 14 to 3, will inevitably swell the chorus of Conservatives calling for the Employment Bill, now going through Parliament, to further restrict the operation of the closed shop.

Both the Prime Minister in the House of Commons and the Lord Chancellor in the House of Lords insisted that the Bill as it stands fully meets the requirements of the European Convention, to which Britain has been a signatory since 1950.

However, a group of Conservative and crossbench peers, led by Lord De L'Isle, maintain that the Bill does not sufficiently restrict closed shop action to meet the terms of the convention. They have tabled an amendment to the Bill, which will be debated in the House of Lords next week, which they believe would bring the measure within the convention.

The three men in whose favour the commission has found are Mr Roger Webster, aged 67, a retired clerical officer from Tunbridge Wells, Kent; Mr Noel James, aged 51, formerly a leading railwayman from Hayling, Hampshire; and Mr Iain Young, aged 27, formerly a clerical officer and now a law student from South-east London.

All were dismissed by British Rail in 1976 because they refused to comply with a management-union agreement that only members of recognized unions be employed.

Such a closed shop agreement is permissible under the terms of the Trade Union and Labour Relations Act of 1974 and 1976, which laid down that employees could only obtain exemption from a closed shop agreement if they belonged to religious denominations which proscribed members from joining unions.

The three men took their case to the European Commission of Human Rights in 1976. They submitted that the enforcement of the two Acts, in allowing their dismissal from employment because they objected on reasonable grounds to join a trade union, interfered with their freedom of thought, conscience, expression and association with others. As such, they argued that the Government was in breach of the European Convention on Human Rights.

Since 1978 their case has been backed by the Freedom Association, formerly the National Association for Freedom, which has fought several legal cases against trade unions. The association has spent £39,000 on this case.

In their report, the 20 European commissioners have found that the railwaymen's case violated Article 11 of the convention. That article states that "everyone has the right to freedom of association and to join trade unions".

Continued on page 2, col 5



A pile of the late Sir Cecil Beaton's hats in his home, Reddish House, near Salisbury, whose contents are being auctioned next week.

New battle over EEC withdrawal may be Labour's fiercest yet

By Michael Harfield

Political Reporter

Labour is heading for another septic battle over Britain's continued membership of the European Economic Community which could put the recent debate over incomes policy in the shade.

Anti-marketeers led by Mr John Silkin, Opposition spokesman on industry and a likely contender for the party leadership, gave notice yesterday of a motion to be put to the party conference which would commit the next Labour government to withdrawal.

Whether the motion would get the required number of votes is in the hands of the trade unions and their massive voting strength, but there is no doubt that its terms have lit the fuse for another internal struggle.

Dr David Owen, a prominent pro-marketeer and shadow spokesman on energy, said: "For the Labour Party to commit itself now or at the party conference to an attitude to our continued membership in 1983 or 1984 is an act of folly, but it is more than that. It is a deliberately divisive decision within the party. It must be resisted and fought".

Mr James Callaghan, Leader of the Opposition, took the latest threat to party unity in his stride last night. He believes the EEC to be an unsatisfactory institution and that divisions on the issue can be expected when the party is in opposition. He shares the doubts of others, however, that most unions would back such an uncompromising motion.

The motion was drafted by the Labour Common Market Safeguards Committee, which includes among its sponsors Mr Michael Foot, Mr Peter Shore, Mr Wedgewood Benn and 100 Labour MPs, but it became clear last night that not all of them necessarily agree with its terms and that some had not been shown the motion.

Mr Foot said that he had not had time to study the motion or the document that accompanied it. Mr Benn said that he was the chairman of a national executive sub-committee which was examining the issue of withdrawal and would not want to commit himself in advance of its findings.

Mr Benn, who is to make a speech on Saturday on the EEC, pointed out that the motion included proposals which were already party policy, that a future Labour government would return sovereignty to the Westminster Parliament by repealing section two of the European Communities Act; and that Britain would work for peaceful and equitable relations with all the nations of Europe and the rest of the world.

He agreed that a motion introducing the "national executive to include in the manifesto for the next general election" a commitment "to disengage Britain from the EEC institutions" went further than any other motion put to the conference.

Some of Mr Silkin's Shadow Cabinet colleagues believe that he has put down his marker for the leadership with the hope of bringing the anti-marketeers into his camp.

When questioned on ITN's News at One, he said that whether he stood for the leadership would depend on when Mr Callaghan decided to retire. "I might be too old", he said.

Mr Silkin's speech was

unpopular.

"Cumulatively, the Labour Party is adopting policies that are alienating a large section of the electorate, but it will be a new and savage twist to force loyal Labour members and voters to choose between the best interests of their party and the best interests of their country", he said.

Giscard doubts, page 7

Lightning kills 2 boys as fine spell ends

Two schoolboys were killed by lightning yesterday as violent storms swept Britain. Gary Robinson, aged 14, of Rimington Avenue, Farnworth, Accrington, Lancashire, was struck while walking between classrooms at Moorhead High School, Accrington. Five other pupils were slightly hurt.

Christopher Bird, aged 13, of Anglesey Road, Brownhills, Staffordshire, was killed on the playing field at Brownhills Comprehensive School during athletics practice. Wayne Rose, aged 12, of Dingle Road, Chorley; Simon Paul Red, aged 12, of Chapel Avenue, Brownhills; and Julie Davis, aged 12, of Linton Drive, Brownhills, were taken to hospital with burns.

Three of those injured were treated for minor injuries at the Town and Country Hospital, Nairn. Two others, more seriously hurt, were transferred to Raigmore Hospital, Inverness.

Mr George Fulton, from Glasgow, said: "We were just sitting watching the rain. It was quite entertaining, when suddenly there was terrific crash and we saw that the caravan next to us had been blown into our two cars."

The windows flew out, and as we leant across the close to the caravan tipped on its side. We dashed out to see if the rest of the family next door were safe and saw that another van had been blown 20ft and had smashed into the side of it.

The storms were blamed by a spokesman at the London Weather Centre on a trough moving in from the West.

Forecast, page 2

30 held in police sweep after robberies

By Stewart Tendler

Crime Reporter

Thirty men and women were being questioned by detectives last night after a two-month investigation into up to 100 robberies and conspiracies stretching from Liverpool to London and involving several hundred thousand pounds.

No 5 squad was a pioneer in the use of "super grasses" and it is understood to have cultivated a new and important man for the operation.

"Operation Carter", spearheaded by officers from the regional crime squad based at Hatfield, Herefordshire, and aided by the latest major criminal informant, or "super grass", culminated early yesterday in a large police sweep.

One hundred and fifty officers drawn from seven regional crime squad officers, local forces and the Metropolitan police raided addresses in Bristol, Swansea, Herefordshire, Essex, London and the Thames Valley area.

Twenty-seven men and three women were arrested, and money, jewelry and other items were seized for identification. The people arrested were taken to Reading before being dispersed to police stations near by for questioning.

The regional crime squads, formed in the 1960s, have the specific task of dealing with serious crime and the emergence of the "mobile criminal" capable of operating far from his home territory and then returning to base.

Heart man dies after 10 weeks

A man who received a new heart 10 weeks ago collapsed and died yesterday as he prepared to leave hospital.

Another man, who received the heart of a boy on Wednesday, was unconscious in a different hospital last night.

The dead man was Mr John Power, aged 36, Britain's fifteenth heart transplant patient. He had been transferred from Papworth Hospital, where he received his new heart, to Wythenshawe Hospital, Manchester.

That was so he could get ready to go to the weekend. Earlier this week he said he was looking forward to riding his bicycle.

Mr Power had this heart transplant three weeks after being told by doctors that he had just a year to live. He was operated on by Mr Terence English and his team.

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The staff at the Wythenshawe Hospital put up a tremendous fight to save Mr Power's life. He had eaten lunch and was in his private room when he was taken ill.

A hospital spokesman said: "He was being looked after when he seemed to collapse. Doctors and nurses pushed to the rear and put the emergency procedure into effect in an attempt to resuscitate him but regrettably it failed."

The man still unconscious is Mr Andrew Paterson, who received the heart of a 16-year-old boy who died of injuries suffered in a road accident.

Mr Paterson, at 22, Britain's youngest heart transplant patient, is in an intensive care unit at Papworth Hospital, Cambridge.

Mr English carried out the operation at Papworth after flying to Birmingham to remove Trevor's heart.

A hospital bulletin last night said Mr Paterson was "as well as can be expected considering his critical condition when he came into hospital".

Police hold four over bomb blast

Officers from Scotland Yard's anti-terrorist squad were last night questioning four men in connexion with the bomb blast at Catford police station, London, in which a young police constable lost a hand.

Scotland Yard said the men were being interviewed at Rochester Row police station and that there was "no political connexion" with the bombing.

Police Constable Stephen Hickling, aged 19, was seriously injured when a torch he picked up and switched on at the Catford station blew up. He has been discharged from hospital. The fund opened for him has reached £68,000.

4 in court today on bullion chage

Four men will appear at Highgate magistrates' court, London, today, charged with armed robbery in connexion with the £3m silver bullion raid at Barking, Essex, in March. Scotland Yard said last night.



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Condition of two West Bank mayors worsens

Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, has called for Mr James Callaghan to lead the Labour Party into the next election. Mr Mosen Evans of the Transport and General Workers' Union, proposed changes in the way the leader is elected, but pledged loyalty to the chosen leader.

Lords reform refusal

Mrs Margaret Thatcher has ruled out any reform of the House of Lords. She told the Commons that there were more urgent matters for the Government to consider, disappointing many Conservative MPs including several of her most senior Cabinet colleagues.

Granada plea succeeds

Granada Television won leave to challenge the House of Lords' Court of Appeal ruling that it must name the person who leaked confidential documents about the British Steel Corporation. Lord Diplock said it was a matter of public importance.

£800m for roads

The Government's programme for important road schemes during the next four years will cost £800m, and the highest priority will go to improving industrial and port routes. But spending will remain much lower than the peak level of the early 1970s.

Glasgow crash: Thirty-six people were injured when a train hit stationary coaches near Partickhill station.

Paris: France hit by strikes in protest at health plans.

Kuwait: Eight-page Special Report assesses the country's political and economic climate and its business prospects.

Classified advertisements: Personal, pages 26-28; Appointments, 20, 25; Car buyers' guide 26.

Defiant Botham hits 57

Ian Botham hit a top score of 57 as England reached 243 for 7 on the first day of the Corbridge Test against the West Indies at Nottingham. Andy Roberts and Joel Garner took three wickets apiece.

US links with China

By the end of the year the United States and China will have underlined their relationship with a series of new economic, cultural and technological agreements.

Page 8

HOME NEWS

Granada TV wins right of Lords appeal over order to name person who leaked steel papers

By Frances Gibb

Granada Television yesterday won leave to challenge in the House of Lords a Court of Appeal ruling that they must name the person who gave them confidential documents about the British Steel Corporation. The case will be heard on July 14 or 17.

Lord Diplock, Lord Keith of Kinkel and Lord Scarman, sitting in the House of Lords Appellate Committee, granted Granada leave to appeal on what Lord Diplock said was a matter of public importance and apparently public interest.

Permit for leave to appeal was opposed by Mr Leonard Hoffmann, QC, for British Steel, who said the corporation needed the name of the person who leaked the document as a matter of "considerable urgency".

"British Steel is faced with making important decisions at the moment, and its high officers are unable to have frank discussions among themselves because they do not know whom to trust."

In addition, Mr Hoffmann said, since the leak to Granada

there had been further leaks in the past few weeks to the newspaper *Financial Weekly*. British Steel had obtained undertakings from the publication about further dissemination of information. But the question of identity of the source was being held up pending the outcome of a future appeal.

The confidential documents given to British Steel formed the basis of a programme, "The steel papers", broadcast during the steel strike earlier this year. It argued that British Steel's difficulties were not only the result of low productivity, but also of poor management.

British Steel is suing Granada Television for the return of the source. The Court of Appeal, in the High Court ruling because, it is said, Granada had acted irresponsibly and therefore forfeited its right to immunity from disclosure.

Mr Hoffmann told the House of Lords committee that there should be no further appeal because Granada had won its main point in the lower court.

Mr Callaghan backed by Mr Clive Jenkins

By Paul Knottedge

Labour Editor

The trade union argument over Mr James Callaghan's leadership of the Labour Party was renewed yesterday by a firm declaration of support from Mr Clive Jenkins and a rather less unequivocal policy declaration from the Transport and General Workers' Union (TGWU).

Mr Jenkins, the general secretary of the Association of Scientific, Technical and Managerial Staffs, argued that the former Prime Minister should lead the party into the next election, while Mr Monty Evans, general secretary of the TGWU, proposed changes in the way the leader is elected, but pledged his union's backing for the leader "whoever he or she is".

In evidence to the party's commission of inquiry, the TGWU argues: "The party has now altered its constitution to designate the leader as leader of the Labour Party rather than just the Parliamentary Labour Party.

If authority and responsibility are to be vested in an individual, the election cannot be restricted to an exclusive handful of members. The new, wider constituency must be enfranchised.

"We are generally in favour of an electoral college with wide participation embracing constituency parties, affiliated organisations and the parliamentary party, spread to give fair weight to each section and designed to avoid the formation of any special elite."

The union wants the electoral criteria to be composed half of seats won by representatives and half divided between constituency parties, the national executive and the parliamentary party.

Mr Evans said the union "supports the leader we have". If there was to be a new leader, the transport workers would be just as supportive in him or her. "Whoever is elected we will support him, but we're not in the business of contemplating who that leader could be."

'Exhausted' colliery must close, coal board says

By Our Labour Editor

The National Coal Board wants to close Lofthouse Colliery, West Yorkshire, where a dozen miners have been laid off for seven months.

The NCB, after management had told the National Union of Miners that the pit employing about 910 men to produce more than 300,000 tons of coal a year, must shut because its reserves are exhausted.

Lofthouse, near Wakefield, celebrates its centenary this year. An influx of water from abandoned workings caused a disaster seven years ago. That prompted measures to prevent similar accidents.

The threat of closure also hangs over another six or seven pits in the area, including Pockmark, which is even older than Lofthouse, having been sunk in 1874, and employs about 320 men.

The notification of closure intentions by the NCB comes after workers in the South Wales management in the South Wales coalfield that six "uncon-

nic" pits must close soon and six more later.

National officers of the NUM are to meet Sir Derek Ezra, the NCB Chairman, on Monday for talks on the industry's future and the procedure for dealing with pits.

Mr Alan Scargill, the militant leader of the Yorkshire miners, has claimed that the NCB intends to shut 50 pits because of withdrawal of government operating grants and stringent new financial targets for the industry.

In Olderton, Nottinghamshire, last night Mr Scargill's candidature for the NUM's national presidency was endorsed by Mr Joseph Whelan, left-wing secretary of the miners' National Executive.

The union was the decisive factor in the pit closure, but Mr Scargill's presence was assumed to be part of the campaign to build up support outside his native coalfield in the United Kingdom. "We are getting ready for the election which will take place in the next 18 months."

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Secret BSC paper to be published

By Tim Jones

A secret document outlining the British Steel Corporation's strategy in Wales is to be published by the parliamentary sub-committee on Welsh affairs.

At all levels must be accountable to the members who selected them for office and worked to achieve it. Becoming a member of Parliament should not be a sinecure for a lifetime regardless of their opinions and wishes of the constituency party which is the task of promoting that MP.

On the manifesto, the TGWU argues: "There should be no major difficulties if the present system is adhered to in spirit as intended. The TGWU would oppose any violation of the principle of joint control over the manifesto."

"Stable leadership": Mr Jenkins said that he had urged Mr Callaghan to stay on and fight the next general election (our Labour Party) as it was of importance that Mr Callaghan would provide "stable leadership".

It would also publish, he said, an appendix to the document which dealt with the effects of the corporation's actions on the coal industry in Wales.

Mr Abse said the document stated: "The scale and rapidity of the necessary reductions in South Wales is of a magnitude never encountered before in a relatively small geographical area, superimposed as these reductions are on those associated with the recent closures of the East and the Ebbw Vale plants etc."

It continued: "A strong and growing reaction has been generated to what is seen to be a wide section of people inside and outside the corporation a grossly unfair transfer of business and employment from South Wales to the north."

The motion, which was passed overwhelmingly, called for election of the leader by a wide electoral college, including constituency parties and unions; for responsibility for the manifesto to lie with the party executive; and for mandatory submission for reselection of parliamentary candidates and MPs.

Biggest union opens battle against nuclear weapons

By Our Labour Editor

The Transport and General Workers' Union is to reopen the argument about unilateral nuclear disarmament, which divided the Labour Party in the 1950s.

Leaders of the union yesterday decided to submit a unilateralist motion to the Trades Union Congress in September as a first step to force a wider debate in the Labour movement on the deployment of nuclear weapons in Britain.

Mr Monty Evans, the general secretary, last night said: "We believe that all countries ought to get rid of their nuclear weapons, but we believe we must make a start here in the UK."

The union also agreed to use its 12,500 block vote in support of this fundamentalist line at the Labour Party conference in October in an open revolt against the policy of the leadership on the nuclear deterrent.

Mr Evans attacked at a press conference what he called "the acceptance of the inevitability" of a nuclear stockpile in the United Kingdom. "We are getting ready to march the other side," he said.

The union was opposed to the stationing of cruise missiles in Britain because "this small island of ours could be a specific target at any time".

The union felt a need to draw attention to the danger of

the apparent willingness of people to accept the situation.

Some people are talking about how many are likely to be left. We all want to remain here. So do we sit back and leave it to the politicians?"

It is not a question of trying to take up the old battle and problems of the 1960s.

"We are genuinely worried

about the apparent willingness of people to accept the situation.

Some people are talking about how many are likely to be left. We all want to remain here. So do we sit back and leave it to the politicians?"

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the stationing of cruise missiles in Britain because "this small island of ours could be a specific target at any time".

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The salary of Mr Monty Evans, the general secretary, will rise by about £2,500 to about £15,000 a year. The increases have been granted at a time when the union's membership has fallen by about 23,000 to 2,060,000.

Dorset police to be investigated

The Transport and General Workers' Union has conceded a 20 per cent increase to its 1,500 officials and staff putting national trade group secretaries up to £168 a week.

The salary of Mr Monty Evans, the general secretary, will rise by about £2,500 to about £15,000 a year. The increases have been granted at a time when the union's membership has fallen by about 23,000 to 2,060,000.

He will like them to have

been more specific on the right

not to associate", he said.

Union heads studying plan for new TUC role

By David Peilton

Labour Reporter

Plans are being studied by senior union officials which could fundamentally change the philosophy of the Trades Union Congress and turn it into a super-political body.

The lower courts had exercised that discretion in favour of British Steel, he said. The only point that remained was whether Granada had behaved badly over handling the document.

Granada had laid great stress on the fact that it was behaved responsibly, he said. But that was a marginal issue. "What we are concerned with is the behaviour of British Steel employees, and whether in the name of justice we ought to have annual subscriptions and would carry a TUC card."

The TUC would then negotiate directly with the Government on matters such as social security and unemployment benefits, and represent the views of minority groups.

Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, who suggested the idea to the TUC, said yesterday that it could eventually have a membership of more than three million.

Mr Jenkins' plan is to establish what he described as "a social wage forum", with the views of the unemployed being represented forcefully through an organisation of which they were members.

In addition to what union leaders see as the need for the unemployed to be properly represented when they are no longer members of unions, is the fear that with rising unemployment union membership will fall. Several unions, particularly in the public sector, are already experiencing that.

Mr Jenkins put up the idea to the TUC's "inner cabinet", the finance and general purposes committee, where it was warmly received, and union leaders instructed TUC staff to prepare detailed reports.

A special weekend meeting will probably be called to discuss the outcome of the TUC's investigations, and ASTMS is expected to move to a motion before the end of September calling for change to be made.

If the plan is adopted, the TUC's new role as a pressure group would be carried out alongside its present function of representing the views of affiliated unions.

It would probably be necessary to set up a network of regional officers but it is not clear what the TUC's relationship would be with existing pressure groups such as those representing pensioners and the disabled.

The subcommittee would be publishing that section of the document that dealt with the manpower and social implications of the corporation's plan to halve its production and workforce of its Welsh operation.

It would also publish, he said, an appendix to the document which dealt with the effects of the corporation's actions on the coal industry in Wales.

Mr Abse said the document

stated: "The scale and rapidity of the necessary reductions in South Wales is of a magnitude never encountered before in a relatively small geographical area, superimposed as these reductions are on those associated with the recent closures of the East and the Ebbw Vale plants etc."

It continued: "A strong and growing reaction has been generated to what is seen to be a wide section of people inside and outside the corporation a grossly unfair transfer of business and employment from South Wales to the north."

The motion, which was passed overwhelmingly, called for election of the leader by a wide electoral college, including constituency parties and unions; for responsibility for the manifesto to lie with the party executive; and for mandatory submission for reselection of parliamentary candidates and MPs.

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Or is it like most cars, which seem to think only rear windows can get misted up?

Then take the Princess 2 on the road. See how the revolutionary Hydragas® suspension rides over potholes as if they were no more than pockmarks.

Feel how its beautiful wedge shape cuts silently through the air. Is your car as quiet? Finally, compare the price.

The six models of Princess 2 vary in price from £4,458 to £6,151. We think they're the best value on the road. But don't let us tell you.

Bring your car in soon. And compare for yourself.

But be warned. It may not look as good when you leave as it did when you brought it in.

THE PRINCESS CHALLENGE

If you drive a foreign car (and that includes many brands, Vauxhalls and Talbots) take a test-drive in a Princess 2.

We're so confident in the improvements made to the Princess that we challenge you to find another car in its class that now approaches it for reliability, comfort, performance or economy.

If you're about to buy a new car, it's a challenge you can't afford to ignore. At a price you can't afford to miss.

Take a test-drive with your local BL dealer today.

Please send me the Princess 2 Information Pack, containing independent road tests and Princess 2 brochures.

First Name	Surname
Address	
Postcode	Age (if under 16)
City	Country
Postcode	
Send to P.O. Box 4, Cowley, Oxford.	



THE AERODYNAMIC PRINCESS 2. SIX MODELS FROM £4458 TO £6151. 1700, 2000, & 2200.

All details refer to car illustrated (Princess 2 2000HLS). Official Government Fuel Consumption test figures: mpg (1/100 km), Urban cycle: 27.2 (10.4), Constant 56 mph (90 km/h) 37.7 (7.5), Constant 75 mph (120 km/h) 27.7 (10.2). *Hydragas is a registered trade mark.

Austin
Morris

A quality product from Austin Morris. With Supercovers.

HOME NEWS

Government will give priority in £800m road programme to improving port communications

By Richard Ford

The Government plans to spend about £800m during the next four years in important new road schemes in England, with highest priority being given to improving industrial and port routes.

But spending will remain much lower than the peak level of the early 1970s, and the Government says that there is no longer an increasing programme for major roads.

By the middle 1980s it expects the main network of modern roads to be complete, with the result that there will be fewer, and often smaller, schemes being prepared by the end of the decade.

The proposals for the next 10 years are set out in a White Paper, *Policy for Roads: England 1980*, published yesterday. It is the first comprehensive statement by the Conservative Government of its policy for the trunk road system in England, and lists three main priorities:

They are to build and improve industrial routes which aid economic recovery and development, especially in areas where poor communications make it difficult to attract new companies to replace declining industries; to increase the bypass programme; and to spend about £90m each year on road maintenance, especially on the busy M1, M5 and M6.

Mr Norman Fowler, the Minister of Transport, said that the Government had decided that the main part of resources available would be used to improve links between

industrial areas and the ports. "We are going to concentrate resources on the major industrial arteries, and by the mid-1980s the majority of the major routes of the national network should be completed."

"We are coming to the end of the era of major motorway construction and the emphasis will shift to by-passes of individual towns and villages and other schemes."

There would be less spending on the roads in the 1980s than there had been in the 1970s, but the Government was stabilizing spending at the level it inherited from the Labour Administration.

"Our proposals are more realistic in terms of what is possible. This inevitably means the deterioration of some less urgent roads, and we have already saved money on design work by announcing the deterioration of some of the bigger schemes."

The White Paper reveals that the Government plans to spend about £300m at November 1978 prices on road construction and improvement, and one third of that will be spent on land acquisition, small projects and preparation and supervision.

It says that the economy is likely to continue to grow, though more slowly than was predicted 10 years ago. "The main network of modern highways, linking the major industrial centres and ports, is almost complete. Our aim now is to fill the remaining gaps and to take trunk road traffic away

from as many communities as possible."

But it gives a warning that even by the end of the decade many communities will still be waiting for much-needed road schemes.

After a study, in consultation with Sir Derek Rayner, who is advising Mrs Margaret Thatcher on eliminating waste in Whitehall, the minister has decided to phase out subunits of the road construction unit, whose 1,700 staff carry out detailed design work and supervision of important schemes. Most of their work will be transferred to consultants who are already involved in 30 per cent of design and supervision work for trunk roads.

High priority will be given to completing by 1986 the 120-mile M25 orbital route which will ring London. Similar priority will also be given to orbital routes around Manchester and south Birmingham.

Urgent improvements on main routes leading to Tilbury, Southampton, Felixstowe, Harwich, Hull and Immingham are also planned. In the longer term the M40 from Oxford to Birmingham, and the extension of the North Circular Road to London's dockland will also receive priority.

The White Paper says that by the end of 1983 the Government hopes to have bypassed 13 historic towns. Maintenance of the North Circular Road, on the older, most heavily used motorways.

Policy for Roads: England 1980 (Command 7908. Stationery Office, £3.50).



Photograph by Harry Kerr

The three women entrants in the "Observer" single-handed transatlantic yacht race due to start from Plymouth tomorrow: from the left, Dame Naomi James, of Britain, Judith Lawson, of the United States, and Florence Arthaud, of France.

90 set for lone life on the ocean

From John Young

Plymouth

About 90 yachts of widely varying shapes and sizes will leave Plymouth tomorrow at the start of the sixth single-handed transatlantic race, organized by the Royal Western Yacht Club and *The Observer*.

The exact total will not be known until tomorrow, because by yesterday afternoon one or two intending competitors had yet to arrive. The fleet will be joined by two boats whose skippers failed to qualify on technical grounds, and by one which failed the organizers' scrutineering.

The fleet is considerably smaller than for the last race, four years ago, when 125 yachts took part. That is the result not of diminishing enthusiasm

but of the decision this year to limit both entries and individual boat size to reduce congestion and the risk of collisions at the start.

Nonetheless, the whole character and status of the race has changed astonishingly in the 20 years since Lieutenant-Colonel "Blondie" Hasler, leader of the wartime "Cockleshell heroes", issued what was little more than a private challenge for a contest which at the time was widely considered irresponsible. That first race, which attracted mere 11 competitors, was won by the late Sir Francis Chichester.

Despite two fatalities in the 1976 race, opposition on the grounds of safety has all but disappeared. This year the race entries from 17 nations, including three in Eastern Europe, and for the first time the British contingent is outnumbered by those from the United States and France.

There are those, including Hasler, who was not at Plymouth yesterday and was

said to be in Scotland, who regret the degree to which the race has been commercialized by sponsorship.

Indeed, the scenes this week around the rather scruffy Millbay dock, the general appearance of which has not been enhanced by large piles of scrap metal, have been little short of grim, albeit mostly good humoured.

Reporters and camera teams, scrabbling over boats and each other to interview and photograph competitors, have possibly been outnumbered by public relations people and representatives of the sponsors.

The competitors, however, have accepted the circus atmosphere with tolerance, knowing that from tomorrow they will have all the peace and solitude they could want.

It is the French, more than any other nation, who have helped to make the contest a matter of national prestige.

Their hero, Eric Tabarly, winner of the 1964 and 1976 races, is officially out of action this year, having damaged his

shoulder in a sailing fall, but was expected in Plymouth last night with a slim chance that he might take the helm of Paul Ricard, one of the two "unofficial" entries.

Christian Février, a journalist on a French yachting magazine, explained that the British by large see themselves as challenging the elements; the French dismiss that as mere romanticism and are interested only in beating the others.

The most significant innovation this year is the use of the Argos satellite system, which will keep a constant computerized check on the position of every yacht. Its main purpose is to increase safety, but it will allow the public to follow the progress of the race throughout.

Judy Lawson, an American and one of the three women entrants, confesses that she finds the idea of "an eye in the sky staring down at me" a trifle disconcerting, but concedes that that is far outweighed by the safety advantages.

'Two p... question after Bu... defectio...

By Stewart Tendler
Two present in the House of Lords were after Burgess and Fletcher in 1951 but evidence was found in them, Mr Andrew of *The Climate* claimed yesterday. Speaking at a revised edition whose original spurned the reeve Professor Anthony for Russia, A that both men were as possible accomp or unwitting, or group.

Refusing to identify Boyle said that hereditary peer was elevated to one served in the services in the War.

Mr Boyle reported yesterday that he could have been the Soviet Union. Actions in 1951 civil servants were leave public service. Apart from M crew, who last year, Mr Boyle's included a me Treasury and two

When Professor his confession to several others to leave public posts said he believed that Blum could have identity of another but did not do.

In the revised Boyle describe believes occurred.

Professor Blum interviewed by Mr McDonnell, the doyen of service interrogating charges he had done before Skardon introduced evidence originally from KGB, United States, exclusive, but Mr Boyle's offer of information was seen against the Profumo affair.

Mr Boyle's offer was singularly seen against Douglas-Home, then, now Lord Hirsch, was not t. But Mr Boyle the Queen was t. 1972 Mr Edward Prime Minister, it was thought Blunt was dying.

Smokeless rooms on offer after

By Our Health Correspondent

A hotel group yesterday that will offer no-smoking rooms to guests at 31 The decision Hotels, was take introduction rooms at the g Royal Scot Hotel.

Mr Michael operations direct both cases the immediate success that we real guest need.

Sir George Secretary of State placed a "No Smoking" sign on the door of a Kensington Palace to celebrate.

Business

New 'loyalist' political murders feared

From Christopher Thomas

Carnlough, on Antrim

The spectre of political assassination by "loyalist" extremists has been raised by the public "murder" of a wealthy Protestant politician in the picturesque village of Carnlough, on the Antrim coast.

Mr John Turnly, a controversial Larne district councillor who advocated the removal of the British presence from Ulster, was shot in full view of a crowd by three masked men on Wednesday evening.

Mr Japanese wife, Myoko, was seated beside him when the killers fired at point-blank range, as he stepped from a car. His sons, Shane, aged six, and Roxy, aged four, were in the rear seat. A blue Cortina with false number plates, used by the gunmen, was found burnt-out near the town later.

Mr Turnly was an enigma. He came from a solid Unionist background and owned at least 1,500 acres of mountain land as well as 200 acres of farming country on an estate near Carnlough in a staunchly Protestant test area.

Yes he was at odds with the "loyalist dogma" that he might have been expected to follow. Indeed, he was working in a solid Unionist

Arrests put police in sunny mood

From Arthur Osman

Torquay

After a fairly introspective conference about their role in society and the often critical examination of it by the press, chief police officers at Torquay yesterday were delighted to be back on familiar ground with news of a series of arrests in the Home Counties.

From being the "anxious or worried top cops" of a day or so before, they became "jubilant" and as sunny as the weather that had blessed their joint conference with metropolitan authorities and county councils.

Mr David Powis, Deputy Assistant Commissioner in charge of the CID in London, reflected the mood when he said that he hoped that the intensive detective work which had led to the arrests could soon be deployed on street offences and burglaries in London.

Areas such as Brixton and Stoke Newington would benefit greatly from such close police activity by experienced officers, bearing in mind that during a recent weekend there were 35 cases of street muggings in Brixton alone.

Mr Harry Purcell, chairman of the police committee of the Association of County Councils, said: "We regard this as an exceptionally achievement. He resigned when his hard-line stand on British withdrawal was spurned at the SDLP annual conference.

He became a leader of the newly-created Irish Independence Party, whose main policy plank is the removal of the constitutional guarantees and British withdrawal.

Mr Fergus McAteer, a close friend and political ally, said: "He was a contradiction of Northern Ireland politics. He was a Wolfe Tone figure, a Protestant with immense conviction on Irish unity and a free Ireland."

Mr Turnly spent 20 years working in the Far East and had been a tea planter and an advertising scriptwriter. He returned to Ulster with his wife in 1973.

Broadmoor killer sought

From Our Correspondent

Reading

A convicted killer out on licence from Broadmoor top security hospital has disappeared from a probation hostel. Last night police were seeking Robert Demouy, aged 33, who was sent to Broadmoor for stabbing a man to death.

He was on four weeks' leave and was living at a probation hostel in Reading. He was working as a labourer. Mr Demouy, described by police as "dangerous", was last seen at the hostel last Saturday.

Det Inspector Patrick Bridge, man of Bracknell CID, said last night: "We believe this man

has absconded with Amanda Geddes, aged 18, who has been reported missing from the Elizabeth Fry hostel in Reading.

They were known to be associating with each other. Both disappeared at the same time. We regard this as a very serious matter. Demouy is known to be a dangerous man, particularly when he gets drunk."

He was convicted of manslaughter in 1971 at Cardiff Assizes for stabbing a man in a fight outside a public house.

Police believe that "Mr Demouy, who is six feet tall and has blue eyes, is using the name Morgan."

Fewer overseas students

By Our Education Correspondent

London

A large number of colleges, polytechnics and universities are reporting a marked reduction in the number of overseas students accepting places for courses starting this autumn, according to a survey published today by the United Kingdom Council for Overseas Student Affairs.

The survey was made in April and May among 40 institutions on non-advanced courses in Britain who had been hoping to go on to higher education, and for students from the developing world.

year's acceptances with those at the same date last year, 22 reported a decrease, seven said they had about the same number, and four reported an increase.

On average the institutions expected their new overseas student intake this autumn to be 14 per cent down on last year.

The council calls for fees concessions for overseas students already on non-advanced courses in Britain who had been hoping to go on to higher education, and for students from the developing world.

Mr Purcell urged the avoidance of the sort of monolithic structure that would soon endanger the whole attitude to "policing by consent" and the relationship of the police to local communities.

Mr Purcell urged the avoidance of the sort of monolithic structure that would soon endanger the whole attitude to "policing by consent" and the relationship of the police to local communities.

The role of the Commission for Racial Equality need reviewing, the councilors said. Continued unemployment, bad housing and disgraceful recrea-

tional facilities remained a threat to race relations.

No cuts should be made to the urban programme, and a public inquiry should be held into what happened in the St Pauls area of Bristol.

If this Government continues to ignore the needs of the ethnic communities as it has done up to now, then it is only a matter of time before we see a repetition of the events of Bristol all over Britain."

Mr Russell Proffitt, of Lewisham, spokesman for the conference, said afterwards that the Government appeared to be showing a great realization of the need not to cut back on aid.

Mr Proffitt had ruled out a public inquiry into the troubles at Bristol, but was planning to visit the city.

Advances in fundamental research were not being subjected to the acknowledged process of review and publication.

The traditional patterns of the scientific community were in danger of erosion.

The obligation of the scientist in matters of public policy was an even more difficult issue to define. The social and political aspects of nuclear weapons, nuclear energy and the disposal of radioactive waste were obvious subjects that showed how opinions could be strongly polarized among the technically qualified.

Secretiveness began to intrude after the splitting of the atom, and the freedom of exchange between nuclear physicists, which had been a

model of the scientific ethic, declined after 1938 and never recovered.

There was a repetition today among molecular biologists.

With gene cloning opening the

way to new patentable products and processes, they were

turning to the board, which ex-

plained confidence in the sup-

plying company. The engineers had been dismissed. When the system began to operate, fail-

ures had put the public at risk.

The California Society of

Engineers had conducted an

investigation into the affair,

indicating the engineers. But

it was only after action through

the courts that the correctness

of their stand was properly recognized.

Another case of a so-called "whistleblower" was in progress. This was the case of a senior health physicist, Dr Clifford Richter, who reported breaches of safety regulations at a hospital in Columbus, Missouri, to the National Regulatory Commission on radiation protection, as he was legally obliged to do.

Dismissal followed, and the subsequent wrangle between the commission and the hospital management board was being

THE NEWS

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BAOR

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Starborn Correspondent
I-party committee of crossed swords with Ministry of Defence over safety of so-called material.

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Ministry of Defence

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Correspondent

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Crabtree, a wing

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onths was too long,

said.



Police Constable Trevor Locke (right), a hostage in the Iranian Embassy siege, back on duty yesterday. With him is Supt E. Jones

Have-a-go workers foil wage raiders

Two men were stabbed yesterday while they struggled with three masked raiders and forced a wages robbery on Merseyside. A wages clerk also had his hand slashed by the robbers during the raid at Gormac's factory in Ormskirk Road, Anfield, Liverpool.

The robbers, who were wearing black balaclava helmets, ran off, dropping a sack filled with wage packets when about 20 factory workers gave chase.

One of the injured men, a security worker, was stabbed in the stomach and his

league, an engineering lab-

or who went to his aid, received a back wound. Both were taken to Walton Hospital for surgery. Two other employees were also taken to the hospital.

The men were among a group

of sorting wage packets when the gang burst in. They were ordered at knifepoint to lie on the floor, but they fought back.

Police said that the raiders escaped in a stolen Ford Cortina car driven by a fourth man. It was abandoned in Helsby Road, Liverpool, about half a mile away.

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Cortina car driven by a fourth

man. It was abandoned in

Helsby Road, Liverpool, about

half a mile away.

The gang broke into the

wages office at about 10 am,

the time the workers are usu-

ally paid.

Nine hurt in bus crash

Children's lunch box check called off

From Our Correspondent

Taunton

Medical spot checks on lunch boxes taken to school by 250 children in Somerset have been ended after objections by education chiefs.

The checks were started by Somerset Area Health Authority so that experts could discover the quality and quantity of food taken by children who do not have school meals, but Mr Barry Taylor, the chief education officer, said yesterday that they must stop until a properly prepared paper is justified.

"The process could prove embarrassing to some children and is unacceptable to a number of parents. If research of this kind is justified, and I doubt if it is, it should be sponsored nationally," Mr Taylor said.

Mr Reginald Newman, site manager at the factory, praised the bravery of the injured staff.

"There was several thousand pounds in wage packets ready to be paid out to hundreds of our workers," he said.

"As a result of the courageous actions of our employees who had a go, we believe the amount the robbers got away with was minimal."

The gang broke into the

wages office at about 10 am,

the time the workers are usu-

ally paid.

Nine passengers suffered

minor injuries yesterday when a double-deck bus and a lorry

collided at Clipstone, near

Mansfield, Notts.

Minister warns councils of action if permitted spending is exceeded

By Ian Bradley

Budgets that are available show that local authorities are intending to increase their spending by more than 5 per cent above the level requested by the Government, said Mr Tom King, Minister for Local Government and Environmental Services, yesterday.

He told a Conservative women's Advisory Conference at Cheltenham: "It is true that budgets have not been in the past been a totally accurate indication of the amounts eventually spent.

Yet even if there is some overstatement contained in these budgets, all past experience would indicate that the proposed level is still well above what the Government has requested."

The challenge is now with local government to demonstrate that they will be able to ensure that targets are achieved. If local authorities can-

not respond to this request in an effective way then clearly we will be forced to look at other ways of achieving our objective," he said.

ERSE

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Nine

Hargrove

The Prime Minister and his Minister in Paris yesterday. President Giscard this morning then went to Brussels into victory. He addressed the Chambers of Chambers of in Paris and on the way he was highly before an audience the start, was disappointed.

He said that there a pause before the was enlarged to Spain and Portugal some new members not fully integrated. a departure from us support for the of the EEC in the opposition from and Communists due to lack of enthusiasm the part of the

in an unusually good, Mr. Giscard said it was normal to be critical of the compromise. But said men returned empty some people who today would have in-air protest the common policy.

Minister, he is a broad wink at the world would have had how he reconciled a increase in budget to French farmers' policy of stringency, it provoked a burst from his listeners. He said laid the main on what concerned the increase in prices obtained in

minimization of the government made such

It was for France that some should become the negotiations, and bringing pressure on our country. The have now been side and French already will in 1980 in a total price

10 per cent and farmers, in particular market

reference to Giscard d'Estaing the common agricultural just weathered serious crisis and ration of some of others was not yet cause they ask to from part of their obligations. It is not possible to add to and uncertainties the prolonged effects enlargement. Those arise from the entry members, he said.

for the coming first, bring the first completion before the second." But Giscard d'Estaing that the Community is on its hands.

Thatcher already, on the much threat to French the entry of Spain. French Government's launching into a Community, the Com first, to take stock financial as assumed through a compromise and it goes from there. After the hotly-debated decision yesterday to approve the EEC agreement, Herr Matthäfer said the extra cash could be raised from the federal states if they agreed to give Bonn more of their revenues from company turnover tax.

Government's reasons: The international situation and Europe's role were the reasons why the Government agreed to the EEC compromise (Our Bonn correspondent writes).



Photograph by David Jones

Mme Simone Veil, President of the European Parliament, and Mr Paul Martin, the former Canadian High Commissioner in Britain, before receiving honorary law degrees at Cambridge University yesterday.

France hit by strikes in protest over plans for health service

From Ian Murray

Paris, June 5

The lights went out all over France again today as part of a third protest against the new structure for the national health service being put forward by the Government. As on the last "Day of Action" on May 23, the demonstrations and strikes were supported by the confederation of French doctors' unions which represents about 80 per cent of the profession.

The main disruption caused by the call for a 24-hour stoppage was once again in the electricity industry, where a reduction of power during the morning meant that cuts of up to half an hour had to be imposed almost everywhere. Railways services were reduced by up to a third in some areas and an average of 13 per cent of the postmen did not report for duty. Demonstrations were called all over the country.

But once again the united opposition to the new scheme was marked by the profound differences of opinion about the best tactics with which to oppose it.

Bonn raises taxes to pay EEC bill

From Michael Hornsby

Brussels, June 5

Bon, June 5.—West Germany today announced projected tax measures to help cover the extra EEC payments it will have to make because of last week's agreement in Brussels to cut Britain's contribution to the Community budget.

Germany will have to pay about £600m more to the Community over the next two years as part of the Brussels deal.

In measures which will hit the motorist hardest, Herr Hans Matthäfer, the Finance Minister, announced crude oil tax increases, to be effective from January 1. Taxes on spirits are also to be raised at the same time.

After the hotly-debated decision yesterday to approve the EEC agreement, Herr Matthäfer said the extra cash could be raised from the federal states if they agreed to give Bonn more of their revenues from company turnover tax.

Government's reasons: The international situation and Europe's role were the reasons why the Government agreed to the EEC compromise (Our Bonn correspondent writes).

Britain must wait longer for Community refund

From Michael Hornsby

Brussels, June 5

Britain will have to wait rather longer than expected to "get its money back" from the rest of the European Economic Community under the compromise reached here last week on reducing British contributions to the Community budget.

Mrs Thatcher will be lucky to see more than half of the £717m she was promised as a refund for 1980 before the end of the financial year on April 5, 1981.

The French have also made a new demand that budget repayments to Britain must proceed "in parallel" with decisions on other matters such as fisheries and energy policy and the annual fixing of agricultural prices. It was not clear whether this amounted to a threat of a possible French veto of future refunds.

At a meeting here today of Community ambassadors, M. Luc de la Barre de Nanteuil, the French representative, also questioned whether EEC revenue would be sufficient in 1981 to finance both the British refund and agricultural price increases.

About £300m of the British refund for 1980 will take the form of a straight cash transfer

under a modified version of the financial mechanism set up in 1976 as a result of Britain's first renegotiation of EEC membership.

The first instalment of this part of the refund, about £230m will be paid on account next January 1; the rest not until early summer by which time the net position of each member state on its budget payments during 1980 will have been established.

The rest of the refund, £417m, will take the form of extra EEC spending in Britain on agreed development projects. But only about £130m of this would come to Britain this year under a revised version of the 1980 EEC budget drawn up here today by the European Commission. This has still to be debated by the Council of Ministers and adopted by the European Parliament.

In order to channel extra cash to Britain, a special credit line will need to be opened in the budget under Article 235 of the Rome Treaty. The Commission next week will forward to the Council of Ministers a draft of the necessary legislation, and it is hoped that this will be approved by member states before the August recess.

Woman makes prisoners release hostage

From Our Correspondent

Paris, June 5

After a young woman social worker had pleaded with them to surrender quietly, a small group of prisoners at Sion jail, in the Valais, today released a warden after holding him hostage for 12 hours and gave themselves up to police.

A weapon was smuggled into the prison by visitors and passed to one of the men, the authorities said. The warden was threatened with it and the prisoners freed. They demanded a getaway car.

They gave up the weapon when the woman told them escape was impossible.

Talks on nuclear safeguards pact to be speeded up

Paris, June 5.—Australia and France are to speed up negotiations on a nuclear safeguards agreement covering supplies of Australian uranium to France, Mr Andrew Peacock, the Australian Foreign Minister, said.

At a press conference yesterday President Giscard d'Estaing, he said an Australian mission would hold talks in Paris next week, with further talks in Canberra. Australia has promised will reflect all the views expressed at the four-day conference. Several of the Americans, including Mr Clark, are expected to stay in Iran.

Hundreds of thousands of Tehran demonstrators shouting "God is great" three times, today endorsed a demand for the trial and sentencing of the American hostages if the Shah and his property are not returned to Iran.

Violent reaction as French police close radio stations

From Our Own Correspondent

Paris, June 5

Ten communist trade union leaders were brought before a court in Nancy tonight after a series of violent incidents last night when their pirate radio station was raided by the police.

The trade unionists, helped by other Communist Party members, succeeded in keeping the police at bay for several hours, hurling bricks and other heavy objects out of the building. It seems that the radio equipment was removed during this time and the police failed to confiscate it.

The raid was the third made on pirate stations yesterday. In the early morning police had swooped on two well-established

pirate stations—one in Paris and one close to Lille—at the same time as the state radio's first local stations in two cities began broadcasting.

Radio Quinquin has been broadcasting for seven months at Aubey near Douai. The station was stormed by riot police early yesterday morning and there were some clashes with Communist Party representatives who had gone there expecting the raid. The party had set up the station.

Radio 80 in Paris has been broadcasting quite openly, advertising its telephone number and address so that supporters could send it money.

After the raids the police dismantled and confiscated all the equipment at both stations.

Egypt again warns Ethiopia

From Our Correspondent

Cairo, June 5

President Sadat told army officers today to prepare "plans and alternatives" to foil any Soviet-backed attempt by Ethiopia to cut off the Nile waters from Egypt. He renewed his pledge to go to war against Ethiopia if that country tried to prevent or diminish the flow of the Nile.

President Sadat said the Nile waters were Egypt's source of life and any action that affected the flow would be met by force.

The Egyptian leader's advice to the officers appears to be the strongest warning so far to

OVERSEAS

Israel concerned at West Bank security as condition of mayors in bomb attack worsens

From Christopher Walker

Jerusalem, June 5

The condition of the two Palestinian mayors injured in car bomb attacks earlier this week has deteriorated. Mr Bassam Shaka, who had both legs amputated after the explosion, was taken to Jordan today for emergency treatment to counter gangrene.

A new grouping of right-wing Jewish terrorists is widely presumed to have carried out the attacks, and in Israeli political circles there was concern tonight that the already grave security situation in the occupied West Bank could deteriorate further if either of the two leaders were to die.

Mr Shaka's unexpected transfer to Nablus was organised by his family after doctors said they did not have the necessary equipment to save his life after complications set in.

The transfer took place soon after a doctor's report that his blood pressure had reached a "drastic level".

Ironically, Mr Shaka was faced with deportation to Jordan last November by the Israeli military government for alleged incitement, but the threat was later withdrawn. It is understood that he has secured a pledge from the authorities that he will be able to return to Nablus when he is fit.

According to Israeli sources, two senior Cabinet ministers

have privately protested to their colleagues about the strike-breaking policy, but they were overruled by a majority of hard-liners who argued that allowing the shops to stay shut would have given the impression that Israel had no control over events in the West Bank.

Earlier this week, I was one of three journalists permitted to interview both injured mayors in their hospital beds. At the time, Mr. Khaled appeared in the worst overall condition. Both men were insistent on meeting a succession of Arab well-wishers and on restarting their pledge to continue fighting for the Palestine cause.

Inside Israel a controversy is growing over the unprecedented methods used by the Israeli security forces in order to prevent Arab shopkeepers from holding a planned strike in protest against municipal policies.

The leading article concluded: "If East Jerusalem is an integral part of our state, then an Arab citizens deserve the same rights granted to Jews in other parts of Israel."

One of those who had his shop forcibly opened this week was Mr Elias Freij, aged 60, the mayor of Bethlehem and a member of his town council.

Over the past two nights, some 200 Arab merchants from East Jerusalem and surrounding districts have been taken from their homes and driven under heavy guard to a police building in the former Arab sector.

There, in the early hours of the morning, they have been served with writs ordering them to open their premises or face harsh penalties.

The gradual emergence of a massive Government-sanctioned operation has shocked many Israelis who normally have no sympathy for the Arab cause.

According to Israeli sources, two senior Cabinet ministers

Vengeance raids on Israel soon PLO says

From Robert Fisk

Beirut, June 5

The determination of the Palestinian guerrilla movement to avenge the car-bomb attacks on the West Bank mayors took more tangible shape today when the man who has planned some of the bloodiest raids into Israel in the past three years announced that "revolutionary operations" would soon be undertaken against Israel.

Mr Khalil al-Wazir — better known under his guerrilla name of Abu Jard — is effectively second in command to Mr Yassir Arafat. In a Beirut newspaper interview published today he claimed that the Government of Mr Menachem Begin was "the mastermind" behind the bomb attacks.

Clearly anticipating new raids by the Palestine Liberation Organization (PLO), Israel bombed southern Lebanon again during the night, this time shelling the waterfront near the city of Sidon 25 miles south of Beirut. The Israeli military command later announced that it had attacked "Palestinian guerrilla positions" in the port although at least one rocket exploded in a coffee house, apparently killing a civilian. Sidon hospital received three Lebanese civilians injured by the gunfire but there were no reports of Palestinian casualties.

Just as the Israelis are preparing for a Palestinian raid, so the Palestinians in Lebanon are expecting a pre-emptive strike by Israeli fighter jets and every Israeli reconnaissance aircraft that flies over Beirut is now greeted with long bursts of anti-aircraft fire from PLO guerrillas along the seashore and in the Palestinian camps near the airport.

When an Israeli aircraft passed over the city this morning, its contrails were followed by a path of shell-bursts. The Phantom jet was flying too high and too fast for the Palestinians to hit it and the Lebanese went about their shopping in Hamra Street, indifferent to the puffs of white smoke in the sky above them or the shrapnel that inevitably clattered onto the roofs.

But the Palestinians are quite happy with the results: their gunfire serves to remind the population of what is happening on the West Bank.

This was also the purpose of Abu Jard's words in the leftist newspaper *As Safir* this morning. "The Begin Government is the mastermind," he said of the car bombings. "Extremists are only the tools of execution." By threatening retaliation, Mr al-Wazir was, of course, also helping to maintain the palpable anxiety now being felt in the Arab world about events in the occupied Arab territories.

Mr al-Wazir organized the raid on the Tel Aviv-Haifa highway in 1978 in which Palestinian guerrillas killed 23 Israeli and foreign civilians — an operation that provoked Israel's invasion of southern Lebanon. He is also believed to have been responsible for the attack in which six Israeli settlers were shot dead in Hebron last month.

There were further artillery duels between Palestinian and Christian militia forces in southern Lebanon last night. One Lebanese civilian was reported killed in the guerrilla-controlled market town of Nabatia during the shelling.

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Chappagiddick was 10 years ago, and his popularity in the polls did not seem to be hurt by it. The pollsters asked people whom they would like to see as President, Carter or Kennedy, and all last year they replied Kennedy.

When the campaign began, however, and the question was real and no longer hypothetical, the doubts rose to the surface. It is hard to believe that one television appearance, or even several, could affect only a small number of voters, nor if they make a vivid enough impression on reporters and pundits, that impression will come to dominate the public perception of the man.

The idea was put forward that the Iranian mob seized the American Embassy in Tehran on November 4, and for several months afterwards, people said little attention to the primaries and considered it a point of patriotism to rally around the President.

By the time this access of loyalty had worn off, it was too late. Mr Carter had won the nomination, and Mr Kennedy's late victory in California and New Jersey did him no good.

There was more to it than that. He campaigned badly, to begin with, and the memory of his earlier inadequacies lingered into the spring, when he was campaigning well and eloquently. Speeches, and even television appearances, affect only a small number of voters, nor if they make a vivid enough impression on reporters and pundits, that impression will come to dominate the public perception of the man.

Mr Kennedy's first television interview, just before he declared his candidacy, was unquestionably a disaster. He could not think of any good reason why he was running for office, nor could he say what was wrong with President Carter, nor, apparently, could he string more than a couple of words together without an "er" or an "um".

But not all that many voters say the interview: one of the other networks was broadcasting *Jaws* and the third had another movie blockbuster. The senator's ineptitude stuck in the minds of reporters and political analysts, and those of his staff. So the accepted wisdom of the pundits spread across the country: Kennedy was not very bright, not very lucid, and he thought he had a dynamic claim to the presidency.

The other effective journalistic perception was that his campaign revived at the end of January, just after his first traumatic defeat in the Iowa caucuses. He then abandoned

his campaign, and instead played on people's doubts about his rival.

They will follow the same tactics in the election, arguing that while people may love Ronald Reagan, they do not actually want to see him win.

If this means that the American people do not know what they want, or whom they want, Mr Kennedy and Mr Carter would not be surprised

OVERSEAS

China and US planning a series of agreements that will consolidate growing friendship

From David Cross
Washington, June 5

By the end of the year the United States and China will have cemented their flourishing relationship with a whole series of new economic, cultural, scientific and technological agreements.

Announcing this in Washington yesterday, Mr Richard Holbrooke, Assistant Secretary of State for East Asian and Pacific affairs, said that the Administration's relations with Peking had been "rapidly consolidated and institutionalized" so that they were no longer dependent on a few individuals operating in secrecy, as was the case until the beginning of last year. "Broad American interests are engaged. It would be difficult for any future Administration to reverse the trend", he said.

State Department officials said that the new Sino-American agreements to be concluded shortly included the opening of Chinese consulates in New York, Chicago and Honolulu under a new consular convention, a civil aviation agreement

under which direct flights between the United States and China could open this autumn, and new arrangements allowing China access to the American Export-Import Bank.

In a wide-ranging analysis of Sino-American relations delivered at the National Council for United States-China trade, Mr Holbrooke said that the "famous triangular diplomacy of the early 1970s is no longer an adequate conceptual framework in which to view relations with China".

Although the question of how to deal with the "growing Soviet power and assertiveness in the world" would remain a central issue of foreign policy for both Washington and Peking, "each of us has other interests and is concerned with other issues as well", he said.

"Our perspectives and our policies may be parallel from time to time, but they will rarely be identical. Our societies rest on quite different philosophical assumptions and our values and institutions diverge in many ways."

"In the absence of frontal assaults on our common in-

Mr Deng to step down and 'live a bit longer'

From David Bonavia
Peking, June 5

Vice Chairman Deng Xiaoping reaffirmed today that he would like to resign his post as Deputy Prime Minister this year so as to "live a bit longer". Talking to a group of American journalists, Mr. Deng said he would also like to relinquish the vice-chairmanship of the Communist Party in five years time to become an "adviser".

"Now my intention is not to retire altogether, but to give up my post as Deputy Prime Minister. I am already 76 and I want to reduce the burden of everyday work," he said.

Mr. Deng has spoken before of his intention to step down from the Government, but all indications are that he will keep a firm hand on the reins of power through his post in the party.

Mr. Deng has been so successful over the past three years in securing adoption of his right-leaning, reformist policies for economic and social affairs that he need no longer fear high-level opposition to them.

The biggest job outstanding for him is to supervise the screening of party members appointed during the leftist upheavals of the cultural revolution, who may face dismissal if they do not show wholehearted acceptance of the Government's policy.

Mr. Deng has surrounded himself with senior party members who were mostly under a cloud during the last years of Chairman Mao Tse-tung.

The position of Chairman Hu remains doubtful. He might feel it incumbents on himself to follow Mr. Deng's example and relinquish his post, but he has proved himself an able representative of China abroad.

Gang of Four: Mr. Deng said today that the "Gang of Four" radical leaders would go on trial, but it would not be open to the international press because state secrets were involved.

Mr. Deng said the trial would be open to the Chinese. One of the radical leaders is Jiang Qing, the widow of Mao Tse-tung.

The four radical leaders were arrested in October 1976, a month after Mao's death, and stripped of Communist Party and state positions. They are blamed for the chaos and disruption of the cultural revolution of the late 1960s and the persecution of many of China's leaders, including Mr. Deng.

Ruling party fears loss of majority in Japan

From Peter Hazelhurst
Tokyo, June 5

Leaders of Japan's ruling Liberal Democratic Party admitted for the first time today that they may lose their majority in the Lower House of Parliament after the country goes to the polls this month.

Speaking to the Japan Press Club today, Mr. Yosio Sakurachi, the party secretary general, said that they expected to retain a majority in the upper House of Councillors but might fail to form a Government in the Lower House.

A party worker close to the leadership told *The Times* today that the hierarchy is now worried that the Liberal Democrats will lose their overall majority in the Lower House.

He said: "The odds are against us. The opinion polls show that the party has lost ground. The opposition parties have managed to form an electoral alliance in some areas and now the Prime Minister is ill and we have no leader out on the campaign trail."

Japan's debilitated conservative ruling party was returned to power with a bare majority of 256 of the 511 seats in the Lower House at the elections seven months ago.

If trends hold true, business leaders and senior Liberal Democrat politicians are expected to seek a coalition with the support of more moderate opposition groups, the Democratic Socialist Party and the Komeito.

But Mr. Yoshikatsu Takeiri, the chairman of the Komeito, indicated today that his supporters are more inclined to form a coalition with the other main opposition groups, the Socialists and the Democratic Socialists, if the conservatives lose their majority.

However, Mr. Takeiri said he was doubtful if the Japan Socialist Party would shelve its policies of opposing nuclear power, security arrangements with America and armed defence forces. "A coalition government will not work if the Socialists continue to oppose our security arrangements with the United States".

Vance warning on foreign policy 'illusions'

New York, June 5
From Michael Leapman

Only six weeks after his resignation as Secretary of State, Mr. Cyrus Vance delivered some sharp criticism to day of trends in United States foreign policy. In a speech prepared for commencement (end of term) ceremonies at Harvard University, he gave a warning against "wild swings" in dealing with the Russians and against "go-it-alone illusions" which could lead to disaster.

In what some are interpreting as a criticism of the military mission which failed to release the Tehran hostages, Mr. Vance spoke of a dangerous new nostalgia affecting America. It amounted, he said, to "a longing for earlier days when a world seemed at a time in retrospect to have been at a more orderly place in which American power could, alone, preserve the order".

He was the rescue attempt, in which eight servicemen died, which prompted Mr. Vance's resignation at the end of April. He said today: "The new nostalgia leads us to simplistic solutions and go-it-alone illusions, diverting our energies

from the struggle to shape change in constructive directions. It is seductive nonsense, bound to lead to irreverence, if not disaster."

He went on: "We must clearly understand the distinction between our readiness to act forcefully when the vital interests of our nation, our allies and our friends are threatened and our recognition that our military force cannot provide a satisfactory answer to the purely internal problems of other nations". Military strength was the "basis of diplomacy, not a substitute for it".

On West-East relations, he said: "In our approach toward Moscow, we cannot afford wild swings from being too trusting to being too hysterical." The aim should be to obtain informal agreements to limit competition. "This goal will rest on patience, steadiness, clarity and consistency."

This is the first important speech on foreign policy which Mr. Vance has given since leaving office. It lays bare the essential differences in philosophy between him and President Carter

New moves over the Falklands

By Michael Frenchman

New moves are taking place between Argentina and Britain over the disputed Falkland Islands colony in the South Atlantic. Yesterday, Dr. Jose Alfredo Martinez de Hoz, the Argentine Minister of the Economy, who is on an official visit to Britain had discussions with ministers and officials and called on Mrs. Thatcher, the Prime Minister.

Dr. Martinez de Hoz said he

would be discussing the possibility of Anglo-Argentine ventures in offshore oil exploration and the development of fishing off the Falklands.

He said in an interview: "For the first time some progress has been made and there is a little light on the horizon and I think the economic side will help. We have two common interests, which could be oil and fishing. So long as some sort of discussions on sovereignty can go on at the same time we might be able to reach some kind of agreement on joint oil exploration or fishing which would be the cause of a get-together on the issue."

"We want you British to hurry up and be partners in our economic development." With Britain's recession there was an opportunity to develop further markets in his country, he said. He thought that because of the Falklands issue British investors had been losing its place in the Argentine economy, but the British Government now seemed determined to make up lost ground.

The British Government has been considering a report on fishing prospects around the Falklands. There has also been considerable activity as regards oil. Large companies have exploration and development programmes to be put into operation as soon as both countries can reach agreement.

Dr. Martinez de Hoz also talked with, among others, Lord Carrington, the Foreign Secretary, Sir Geoffrey Howe, the Chancellor, Mr. Peter Walker, the Minister of Agriculture, Fisheries and Food, and Mr. John Nott, Trade Secretary.

Workmen 'find bodies under police building'

From Our Correspondent

Mexico City, June 5

Workmen digging under the Mexico City police headquarters have uncovered the numerous human remains, the newspaper *Excavaciones* reported yesterday.

It said the remains, which had been buried for at least five years, were discovered as the workers were preparing to build an annex to the police headquarters. It quoted one policeman as saying that over the past 20 days at least 10 corpses had been found.

There was no immediate comment from the police or from a local citizens' committee which has been investigating the disappearance of what it claims are at least 400 people throughout Mexico since the early 1970s.

The rate of resettlement of

Kampuchean refugees from holding caps in Thailand is an unprecedented success, thanks to the generosity of the United States, France, Australia, and Canada in accepting refugees. But the rate of resettlement



Island rebels receive 24-hour ultimatum

From Denis Reinhard
Port Vila, New Hebrides
June 5

"The New Hebrides' Sunday Leader of Father Walker said after a day-long Cabinet meeting, has given Mr. Jimmy Stevens, the accession-leader, a 24-hour ultimatum to begin negotiations to end the rebellion on the island of Espiritu Santo.

The deadline, announced in a radio broadcast tonight, is backed by the threat of police action. Until now, Father Lin Vanuatu, Party Government, had argued that it had insufficient trained police available to restore its authority on the island.

Although control of ordinary police activities has been vested in the pre-independence government the British and French Commissioners still retain separate control over the riot squads. The New Hebrides is a condominium jointly ruled by Britain and France.

"If they do not respond then we would view the responsibility as no longer in their hands," Father Lin said, referring to the assumption of the new powers to end in the riot squads to restore order.

Earlier this week, the British and French ministers responsible for overseas territories urged Father Lin to seek a negotiated settlement with Mr. Stevens. Today's ultimatum is

among proposals considered by the New Hebrides if their is ignored it is the riot armed volunteers to restore its authority on the island.

There are many in our party who are at a moment's notice.

Anger at insult: Coloured leaders responded angrily in Parliament by Mr. Henrie Stevens of Ress and that the thinking blacks are too slow to be included in discussions.

He said the Open wrong to reject the President's. Coloured blacks were excluded. He asked if the L.O. Opposition though whose thought p slower than most must be accepted.

Chief Gatsila Busto of Kwazulu, is the Botha Governor of the Western Cape, which disrupted Coloured schools, universities and training colleges and spread through the country, was called off today by student leaders. There have been official promises of rapid improvements in educational facilities.

The Committee of 81, representing high school pupils and students, which co-ordinated the protest against what was described as inferior education.

The minister would not confirm reports that the Bungs finance committee had just approved nine times as much additional military aid to Turkey.

Mr. Constantine Mitsotakis, the new Foreign Minister, said, today, that Greece was "absolutely opposed" to any grant that might upset this delicate equilibrium.

Answering questions from foreign journalists, he said the United States had promised to maintain the balance by pro-

buses being stonethrowers bear custody.

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The maintenance of the balance of power in the Aegean is directly related to the signing of an American-Greek agreement that will redefine the status of American military bases in Greece.

The bus boycott in the Cape Peninsula, in protest against increased fares, entered its fourth day with reports of 50

people involved in peaceful change.

The years since 1976 have produced a wealth of new energy sources.

The most promising is coal, which remains plentiful and much of it easy to get at. Total world reserves are put at 10,000,000 million tons, of which 637,000 million are technically recoverable.

All development, however, is now being held back by public concern and government caution.

More than 60 per cent of the world's reasonably assured resources of uranium are in North America and in Africa south of the Sahara. In 1976, the International Atomic Energy Agency put the world's resources of uranium metal at about 1,000,000 tons (at \$20 a pound) or 3,000,000 tons (at up to \$40 a pound).

If all the uranium were to be used as fuel for thermal reactors, shortages could arise by the end of the century. Fast breeder reactors on the other hand, whose heat is already being used to generate electricity, offer the prospect of obtaining 50 to 70 times more heat from uranium than can be got from thermal reactors alone.

There are known to be enormous unexploited deposits of oil under the North Sea, but these are not worth working until a way of extracting the energy from the coal without removing it from the sea is found, turning it into gas or liquids that could be pumped up.

The United States, for instance, has vast deposits of coal, but also big problems in getting at it; there is a powerful environmental lobby, loath to see whole regions destroyed by mining and the coal would have to be transported thousands of miles.

Cheaper energy supplied by oil's economic growth is apparent.

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THE ARTS

Hungarian vision of choice and responsibility

Angi Vera (A)
Gate Cinema One

Long Shot (AA)
Everyman, Hampstead

La Comme Secca (A)
Everyman, Hampstead

Forget Venice (X)
Academy 2

All Quiet on the
Western Front (A)
Empire

No description of the Hungarian film *Angi Vera*, which has already enjoyed an exceptional critical success in the United States, can convey how truthful, wise and attractive it is. Even the setting sounds forbidding: 1948, the period of construction of the new socialist regime in Hungary, and the eve of what Pál Gábor, the film's director, calls somewhat euphemistically, "a period of grave difficulty". We see in it the growth of the cult of the personality." (When the film was shown in Hungary, Gábor accompanied it with a compilation of news films from the period of Matyas Rákosi, Hungary's leader in the Stalinist years.)

The heroine, Vera Angi, is an assistant nurse. Her outspoken criticism of administrative abuses in her hospital brings her to the notice of the local party officials, who send her to a party school for political "education". She fails under the dual influence of Anna, a narrow dogmatic party veteran, and Istvan, a young lecturer with whom she falls in love. She proves however far too apt a pupil of Anna and the hard-liners and in a terrible session of "criticism and self-criticism" stands up and attacks her lover's lack of "political integrity". The choice she has made between individual loyalty and slavish obedience to party dogma brings her through the end-of-course examination with flying colours. Clearly she is on the road to success and influence in the years that are to come.

The particular distinction and strength of recent Hungarian culture among that of all the socialist countries, has been a readiness for the open and critical approach to history advocated by the great Hungarian political philosopher György Lukács—on the principle that those who ignore history run the risk of repeating it. Pál Gábor himself has surely summed up the essential message of his film: "It is about the responsibility of the individual and the individual quality of responsibility.

From *Angi Vera*, as from *Horizon*, you keep a memory of real people: Vera (Veronika Papp) whose openness and



Vera (Veronika Papp, left) and Anna (Erzsi Pásztor) in *Angi Vera*

It is about ill-advised choices made and the consequences stemming from such misguided moves, consequences that affect the whole of society. The message is that, in the last analysis, we are responsible for all our actions, and that you cannot exonerate yourself by shifting the onus of your errors to society.

Vera Angi's destiny... provides an illustration of the fact that it is possible to manipulate society only if there are individuals who are willing instruments for manipulation. Vera Angi is such a person."

Though the setting date and characters are so precise and local and though the film is a profound condemnation of a particular era and style of political dogmatism, the applications are universal. What counts here is Gábor's peculiar skill in making the period and the people come alive, in sustaining the suspense of his narrative without ever seeming to dramatize the events.

The film forms an interesting companion piece to Gábor's excellent *Horizon*, which appeared in London a few years ago, briefly and unappraised. In that film Gábor showed a young boy growing up in the early Seventies, as full of good will as the compliant Vera, but in contrast to her, unable to accommodate himself in a society in which he sees only disillusion and cynicism.

From *Angi Vera*, as from *Horizon*, you keep a memory of real people: Vera (Veronika Papp) whose openness and

goodness curdle like milk in this, treacherous atmosphere; the old party faithful (played by a fine character actress, Erzsi Pásztor) whose zeal has an innocence about it even in the fearful scene of her destroying an old woman with falsified evidence; the untainted, simple working girl, played by the excellent Eva Szabó, in private life Mrs Pál Gábor.

Maurice Hatton is the most inopportune independent among British independent film makers, as a recent National Film Theatre retrospective of his output of film and television documentaries and two feature films showed. His own work... "The thing about the independent area is that it is possible to manipulate society only if there are individuals who are willing instruments for manipulation. Vera Angi is such a person."

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of the crime; and with considerable ingenuity, brings the affair to resolution.

Franco Brusati's *Dimuccare Venezia* is a moodish, melancholy and engaging account of a family troupe trapped in the circle of their own dependencies. The family is dominated by Marta, a middle-aged but still glamorous one-time opera singer. Her adopted niece lives in the house with her girl-friend; while Marta's brother Nicky (Eraldo Josephson) is mystically drawn back by his memories, bringing with him a young man who is his business partner and lover. The spell is broken when Marta dies. As Anna ventures out into the wide world, and Nicky resolves to abandon the illusion of youth (which in his case really implies immaturity) there is a gleam of optimism in these memory-haunted lives.

It is a film of excellent ensemble playing; heavy with atmosphere, as visions of memory intrude upon the present action; saturated with subdued sexuality; intriguing in its psychological speculations; and generally marking out Brusati as a more interesting direction and writer. (He is a playwright of reputation) than his earlier and very successful *Bread and Chocolate* might have suggested.

It was a questionable move to remake Lewis Milestone's *All Quiet on the Western Front*, which remains one of the most perfect of films. If you know the original, it is impossible to watch this one without the overlay of memories that act at almost every moment to the disadvantage of the new version. The director, Delbert Mann, and his writer, Paul Monash, scrupulously refuse to incur any debt to Milestone, and return to Erich Maria Remarque's novel; or to alter incidents—most notably the leitmotif of the hero, Paul's—concern with butterflies—to assert their independence.

In fact the new version could have benefited from a little more theft. We miss the vivid secondary characters like crazy Hamacher; we miss even more the sense of real characters in the line of schoolboys made over into soldiers that surround Paul.

Even Paul himself (Richard Thomas of *The Waltons*) and Kit (Ernest Borgnine) have none of the definition that Lew Ayres and Louis Wolheim gave them.

Mann's detailed naturalism—not just in the blood and rotting corpses and severed limbs filmed lovingly in full colour, but also in the dialogue and the playing—has not half the reality that Milestone's brilliant stylization conveyed. Nor does all the crashing spectacle of battles filmed on Czech locations achieve half the feeling of war that there was in the eerie whines and murmers that hovered like bird ghosts over Milestone's no-man's-land.

David Robinson

Literature Opening awards

While it is true that at the Arts Council's recent forum I did reiterate my belief that people who administer the funds of a charitable corporation should act as trustees and not benefit from the money that they distribute, Mervyn Bragg's article (May 12) suggests that my own participation was solely directed towards *Encounter* and its literary editor, Anthony Thwaite. That

What actually happened was that in answering another question Mr Bragg quoted the grant to *Encounter* towards the cost of its literary pages as an outstanding example of enlightened literary patronage.

I said, from the floor, that I thought this an unfortunate example, primarily because I considered *Encounter* essentially a political journal whose finances had been the subject of public controversy in the past, and secondly because its position was bound to be dubious while its literary editor remained a member of the literature panel's finance committee who, presumably together with the Council's appropriate officers, controlled the allocation of funds.

I was restating a principle, not attacking an individual; but this view was interpreted by Mr Bragg as a "slur" on Mr Thwaite, a poet and critic of proven integrity for whom I have the highest possible regard. The facts were then (as printed in the Council's latest available annual reports) that *Encounter* received its first subsidy of £5,250 in the year 1976/77 when Mr Thwaite was a member of the literature panel but not a member of the finance committee; the grant for 1977/78 was £5,500, and for 1978/79 £7,500—years when Mr Thwaite also sat on the finance committee. My point was, and is that if a magazine receives a grant or subsidy the editor (or literary finance committee, or indeed on the literature panel, even if he has not say or vote on specific

Who does then make the decisions to allocate this, or that money to particular causes or individuals? There is nothing sinister in seeking for public enlightenment information that is otherwise only recorded in the Council's or panel's minutes. Open government is every bit as important in the arts as it is in politics.

My own somewhat circumlocutory question at the meeting was about the then forthcoming National Book Awards:—In 1980/81 how much additional public money will be given to supplement existing literary prizes; how much will be given to judges of the Council's £2,500 prizes and how much spent on ceremonies; are there to be any other public costs and will members of the literature panel be allowed to benefit as judges, prizewinners, and/or gourmets?"

The answers were: £15,000

to top up existing prizes given by other bodies; £2,000 each to three judges; no benefits to panel members; and (thanks to Martini and Roosi) no expenditure on public ceremony.

As in ordinary life, the piece develops in answer to physical contingencies which prevent Ayckbourn from playing the god with his characters. You can see the characters being born out of necessity.

What kind of a man, for instance, would switch so easily between the two girls? A narcissist, obviously; and as soon as Stephen Moore jumps down behind them as an offhand sample of the athletics to come, you have got his number. Dorcas and Abigail, likewise, telegraph their identities to come in the first moments of the waterlogged funeral party.

And the same goes for characters not involved in the game of chance and who sometimes begin as blatant stereotypes: such as the lugubrious Uncle Len, a tireless detective inspector who converts every family gathering into a criminal investigation.

The production, by Christopher Morahan and the author, is a beautifully intricate demonstration of physical comedy.

Moments like that of an invisible wasp pestering its way through the picnic party, a practice duel between two rival runners, or the spurned poet's stealthy arrival at the picnic in the head popping through bushes on every side) are what make up the fabric of the show: though the last example or the show: though the last example was much to Simon Callow's amazing performance as the boyfriend, an aggressive Roberta Ross with a trick of hurling his body over the set like a ball.

But if the show has a hero it is Alan Tagg's set at once a superb piece of open-air naturalism and a trampoline for the cast.

At the end, you may emerge

reflecting on the accidental nature of human relationships, but this is a play in which the route counts for far more than the destination.

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SPORT

Cricket

No England player touches Botham's heights

By John Woodcock
Cricket Correspondent
NOTTINGHAM: England have scored 243 for seven.

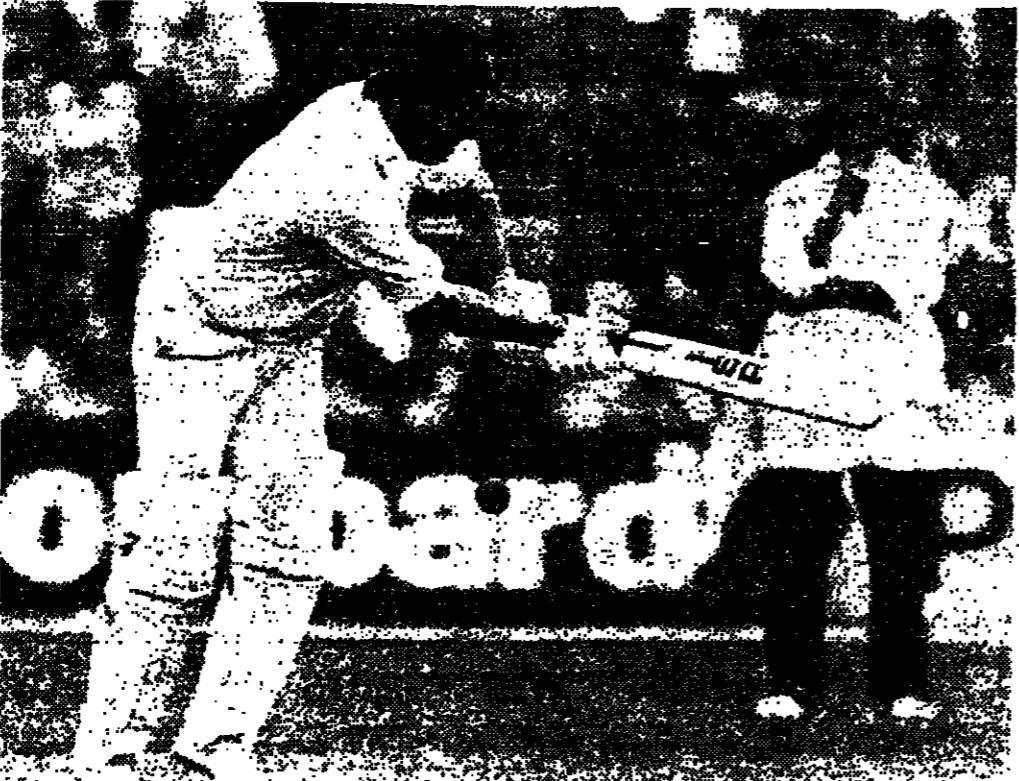
Ian Botham wasted no time in leading by example when the first Test match against West Indies started at Trent Bridge yesterday. Coming in when England were struggling at 114 for four he scored 57, an innings which included, off successive balls, a hook for six off Garner and an off drive for six off Roberts. With no one else in the team to match heights, England, at the end, were 243 for seven, which can barely be adequate if West Indies have such favourable conditions for batting.

On any ordinary day's cricket—a day like this, of six hours' contention over 100 overs, it would have been 130—perhaps 130. Yesterday it was 84. Although England scored at almost three runs an over, which is by no means slow, it is time to appear from their final rally that they crawled. With both sides stumped with fast bowling there will never have been a slower over than the Test match in England or anywhere else.

The one slow innings was Woolmer's and there were reasons for that. It is a long time since he played against Bowlers as unrelenting as this, and he has a lot to learn. He was in particularly good form. It was useful, too, to have a sheet anchor. Woolmer's 46 took him 3 hours 20 minutes. It was an innings full of resolution, played without a break.

After 70 for one and 200 for 4 (with Botham going well and Woolmer still there) England's closing score was disappointing. But that is as it often is when England bowl, even when they are not in opposition. On such a glorious day the West Indians did well, in spite of dropping several catches. This time it was Roberts and Garner who took most of the wickets, the last being Botham's. In 115 minutes Botham had opened up the most heartening possibilities.

It was significant that when the England selectors and Botham were asked whom he had beaten, they said Botham. Then the physiotherapist, in attendance, reported presumably on the likelihood of Willis and Hendrick being able to bowl without hindrance. In the event, probably because there was a doubt



Woolmer: acted as a sheet anchor in an innings full of resolution.

attached to each of them, it was Underwood, who was told, he would not be needed. With West Indies leaving Party out, only the two last men, Richards and Willey, were left to provide any spin.

Throughout the morning the sun came and went. In a light that was always good for bat and on as good a pitch as an evening batsman could ever wish for, the return of the day was soon effected. For a while England would move along quite comfortably, only to lose the wicket of a batsman who was described as 'a bit of a wicket' until, at 27, after he had played better than anyone until then, was caught at the wicket, the leg side, trying to fend off a rising ball from Roberts. And at 72, after he had been in for 70 minutes, Tavaré was bowled by a fast breakaway

from Garner, which just tickled the off ball.

In the two hours of the morning—in fact throughout the day—the only respite from speed was over, and even came from Richards, in which Botham and Tavaré made a square cut for four. Tavaré showed rare judgment in deciding what and what not to play. The last of his 10 overs, which he had effected, and it had a lot to do with his success, Tavaré may have thought of leaving the ball that bowled him; but he was certainly late on the stroke.

After an uncertain start, Botham began to enjoy himself. In the second over of the match, he was dropped at the wicket off Holding, Murray throwing himself at a catch which belonged more to Lloyd at first slip. By Holding's

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centuries. Gower may. Because he had played some lovely strokes it was all the sadder to see him go.

Having dropped Boycott when he was four and Gower when he was 14, the West Indians put down Woolmer before he had scored. Botham when he was 27. Woolmer's 46 was his last.

It was his fifth ball, the last of the over in which Tavaré had been bowled, and he edged it low between first and second slip.

This apart, Botham was splendid. With him in full cry and an hour of the day left and the sun still beating England had the upper hand. It was not to be denied.

Botham began to find it all too dangerously easy. At evening drinks he was laughing and joking with Garner, his Somerset colleague. Perhaps his concentration flagged. In my opinion he was as good as play resumed brilliantly caught in the gully by Richards, diving to his left.

Five minutes later Woolmer's vigil ended when he was caught at the wicket off Roberts. After one scoreless over, Gower was bowled by Marshall, and as could be grateful that nothing worse befell them. If the weather worsened their score could be better than it deserved. Lloyd, too, was wounded, having had to have three stitches in a split right hand.

After Greenidge, diving to his left, had dropped the ball found its way into the left hand of Lloyd, who claimed a catch. Lloyd was the first to have a chance to Greenidge at second slip off Marshall in the first over after tea.

ENGLAND: First Innings

G. Gooch, c Murray, b Roberts 17
S. M. Gooch, c Murray, b Garner 18
R. A. Woolmer, c Murray, b
D. I. Gower, c Greenidge, b 48
J. T. Botham, c Richards, b 26
J. W. Tavaré, c Murray, b 57
P. E. Knott, not out 1
Total (7 wkt) 243
R. G. D. Willis, M. Hendrick to bat
PALE OF WICKETS 1-204 2-302 3-374 4-384 5-386 6-388 7-392

BOWLING: (in days) Roberts 21; Murray 10; Gower 27; Botham 1-0; Tavaré 22; Knott 2; Marshall 57; Evans 18 (7, 9, n-4, w-1)

Total (7 wkt) 243

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Tennis

Final place reward for Mrs Lloyd the fighter

From Rev. McElroy
Tennis Correspondent
Paris, June 5

For two consecutive days players and spectators at the Roland Garros have suffered in relentless heat with the temperature hovering around 100 degrees F. At this late stage of the French tennis championships, played on an all-clay court, matches are a tiresome enough test anyway. Despite these two days of heat, the good news is that it is getting to find a short cut to the haven of the dressing room. It has been established as one of the greatest players in the game's history, he is probably playing the finest tennis of his career. It is a measure of his supremacy that he has not been beaten by anyone else among the new generation of women playing tennis for a living. She combines power and touch with an elegance that marks her out as someone special. Her competitive qualities have yet to be fully explored.

Mrs Lloyd, three times champion of the open 25 and con-

tinues to be exceeded from a modest assembly of muscles. She is also a natural racket-hand. With an enviable sure touch. What all this amounts to is that she has a strikingly attractive court presence and a born-winning talent.

It is the fifth day of the

French Open.

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Wanted: a fresh impetus in the disarmament talks

The Labour Party special conference on Saturday rightly attached great importance to ways of securing lasting peace and progress towards disarmament. The policy statement argued that following the steps taken by the last Labour Government in such fields as non-proliferation and the Mutual and Balanced Force Reduction talks, Britain must again take a lead in disarmament negotiations, and that the arms race must be halted and war hysteria dispelled. It calls on the British Government to enter immediately into East/West negotiations with a view to reaching new agreements that would ensure that Cruise missiles and Soviet SS 20s are both withdrawn.

It is possible that such a negotiation could succeed using the interval between the deployment of Cruise and Pershing 2 missiles. The Labour Party must, however, also recognize that it is essential for Britain to carry weight in those negotiations with the Soviet Union and to convince our allies of our seriousness.

This means that Nato and Britain within the organization must be able to negotiate from a position of being ready to deploy Cruise missiles if the Soviets refuse to negotiate constructively over their already deployed SS 20s. The Soviet Union will respond if they see it to their advantage to make a deal. To make a deal we need to have an effective bargaining lever. Leverage is as vital in disarmament negotiations as it is in wage negotiations.

The whole area of arms control and disarmament needs, after Afghanistan, a fresh impetus. The United States, Soviet Union and Western Europe are all now embarking on yet another twist to the already spiralling arms race. Afghanistan should not be the excuse for turning back either on Salt or on the sustained pursuit of realistic detente. It should rather be the stimulus to try once more to reestablish a genuine bargain in which both sides gain important objectives and in which both sides trade off gains by accepting restraints.

The invasion of Afghanistan despite repeated public and private United States warnings to the Soviet Union about the grave consequences for United States-Soviet relations is an ominous portent for the future. We need to ask why the United States warnings were ignored. Would the invasion have taken place if President Carter had been seen to be capable of delivering Congressional support for Salt II? After President Carter's Vienna meeting with President Brezhnev it was reasonable for the USSR to expect that ratification of Salt II would follow.

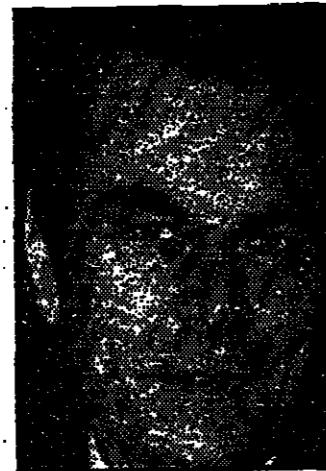
Mr Roy Jenkins denied this week that there was any question of his leaving the presidency of the European Commission before his term of office expires at the end of the year. But when he speaks to the Commons Parliamentary Press Gallery on Monday he is expected to indicate that on his return he will again take an active part in British politics. If so, what are his options?

He cannot go back to the Labour Party after his Dibbley Lecture last November. He had closed that door in his own mind before then, but that was the occasion when he made the extent of his disengagement public. There can be no going back if he is to preserve respect.

Should he then pitch his standard and call for volunteers for a new centre party? That is what has been widely forecast but the term "centre party" has been used so loosely that it means different things to different people. There can be no question at this stage of a new political movement embracing the Liberals, right-wing rebels from the Labour Party and a sprinkling of left-wing Tories. Whatever the theoretical attractions of such a grouping it is simply not a practical proposition in the near future.

The only kind of new centre party that might be feasible would be a

Dr David Owen, the former Foreign Secretary, on how Britain can negotiate from strength in calling a halt to the international arms race



If she judged the prospects of ratification as being non-existent, at least before a new president was installed in 1981, the Soviet Union could have calculated that she had nothing to lose in East/West terms that really mattered to her by going ahead with the invasion. It is hard to escape the logic of such a hard-headed calculation when we now witness the differences amongst the key Western countries about what limited price over Afghanistan the West should try to extract from the Soviet Union by way of retaliatory measures.

Salt II has a Joint Statement of Principles to apply to Salt III. This undertakes to deal with the Protocol to Salt II which commits the United States not to deploy ground- and sea-launched cruise missiles of a range over 600km until December 31, 1981. Salt III is therefore committed to discussing the very weapons systems on which Western European countries, following the Nato decision over deployment, have a crucial interest.

I am very wary of accepting the concept of a Euro-strategic balance as distinct from the overall East/West global strategic balance. It was Chancellor Schmidt who first raised the so-called Euro-strategic balance in 1977 and it is West Germany which has argued strongly that the SS-20 should be discussed in Salt III.

Yet intercontinental nuclear missiles have an incredible accuracy which challenges all strategic thinking since it questions the invulnerability of second-strike nuclear forces and emphasises once again the superiority of the submarine platform for a second-strike strategy. It also makes it possible to target these weapon systems as part of a theatre strike strategy. The distinction between strategic weapons and theatre weapons has therefore become increasingly blurred and makes for considerable confusion in discussions over the

so-called theatre balance or Euro-strategic balance.

There is now a strong case for direct European involvement in Salt III. The US administration would not have faced a fraction of the Congressional problems which Salt II faced if Britain and West Germany had been full partners in the actual negotiations. If West Germany declines involvement and if Britain's other European allies agree, Britain should advocate becoming a full negotiating partner in Salt III as we did over the comprehensive test ban negotiations. British military as well as political opinion is divided over Britain's future nuclear choices.

The projected three per cent

per year real terms increase in the defence budget until 1984 is clearly not tolerable at a time of exceptionally low economic growth. The purchase of US Trident missiles and the building of the large and expensive nuclear submarines exclusively to carry such missiles should therefore be ruled out on cost grounds alone. This is not to endorse unilateral nuclear disarmament. Britain should extend the life of existing Polaris fleet until 1995 at least and be ready to keep other nuclear weapons depending on arms negotiations. A decision on whether to purchase a submarine launched cruise missiles is not needed until 1990 or later, since cruise missiles can be fired from the torpedo tubes of our conventional nuclear submarines. It is as foolish of the Labour Party to exclude the possibility of purchasing submarine launched cruise missiles 10 to 15 years ahead as it is of the Conservative Government to commit pre-emptive conventional defence resources now on the super-sophisticated Trident missile system. Penetrating any future missile defence system is essential for the United States but Britain has different strategic requirements. Nor will Nato need to have more Trident

missiles as Britain's contribution to the deterrent.

Britain will carry little credibility in asking other non-nuclear weapon states to take arms control more seriously if she is not even prepared to participate in negotiations herself because of the fear of including her own nuclear weapons. Britain cannot easily justify, only on grounds of national deterrence and national military requirements, her continuation of strategic nuclear weapons. Her possession or discontinuation of such weapons has a very high political content.

Ensuring West Germany stays non-nuclear and that France is not the only European nuclear weapon state are political not military objectives, as is ensuring that our public commitment to disarmament is to use our nuclear knowledge constructively in all arms control forums. A radical and positive role for a European Disarmament Conference could arise if scheduled for some years ahead, say 1982-3, and it could become the forum which could bring together and co-ordinate decisions taken in the framework of Salt, CTB, MBFR and Helsinki.

A 35-nation European conference would need careful prior preparation by a small group of countries. To avoid creating a new structure it might be worth taking Berlin as the focus.

Quadrilateral machinery between the Soviet Union, America, Britain and France as the four occupying powers no longer exists. Also in existence is the Bonn Group for co-ordinating views between France, Britain, West Germany and the United States. Not only do these meet at official level but also regularly at Foreign Minister level, and from time to time coinciding with Economic Summits at Heads of Government level. At Guadalupe in 1979 the four Heads of Government were acknowledged to have discussed security issues. It is worth considering whether a grouping of five—the Soviet Union, the United States, West Germany, France and Britain—would be an acceptable steering group to act as a link between the existing arms control forums which affect European security. In this way highly secret nuclear weapon systems might be discussed and the concept of nuclear free zones and some coherence and political leadership given to the present disparate and disappointing arms control negotiations.

Based on an article by Dr David Owen in the May/June edition of the International Institute for Strategic Studies journal Survival.

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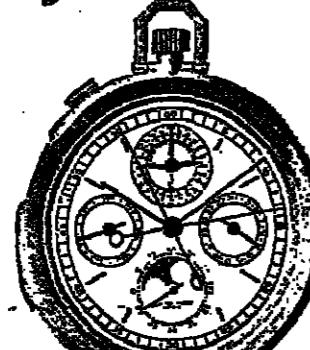
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The only kind of new centre party that might be feasible would be a

"Widely acclaimed," he conceded, "but scarcely well known."



He formed the words reluctantly, as though afraid "La Grande Complication" might lose some of its aura through the mere suggestion of being famous.

Whilst, as I pointed out, awareness of this extraordinary masterpiece of the watchmaker's art cannot dull its brilliance, its price of £40,000 means that few people will ever know the pleasure of owning one.

Everyone else, I reflected, must be content in the knowledge that such craftsmanship still exists today.

As if reassured, he handed the slender chronograph back to me, his fingers lingering for a moment on the finely edged gold case.

Audemars Piguet

Illustrated brochure and a list of appointed jewellers are available from Audemars Piguet, 73 Saffron Hill, London EC1N 8RS.

Thirty-six years after D-Day, a tribute to a great general

Monty: the man we knew would not fail us

This morning in Whitehall Queen Elizabeth The Queen Mother will unveil the statue to Field-Marshal Montgomery on the anniversary of the June 6, 1944 landings in Normandy.

The cost of the statue has been entirely met by his comrades and friends, more than 7,000 people subscribing.

The statue is by Oscar Nemon, sculptor of the House of Commons and Guildhall memorials to Winston Churchill. The Field Marshal had given Mr Nemon several sittings 20 years ago.

This tribute to the Field Marshal has been written by one of his comrades and friends.

Thirty six years ago I landed in Normandy, one of almost two million men involved in that undertaking. We had trained for the moment over many months, and we knew our task would not be easy; but we were inspired by the general commanding the operation—a small, wiry man in a tank beret who personified the sheer professionalism which now characterized our largely territorial or conscript army.

Once before I had crossed the channel in uniform—in early 1940 as part of the British Expeditionary Force, only to be driven back into the sea some months later.

This time the feeling was quite different. In 1940 I had not even known the name of the BEF commander; whereas I doubt if there was even a civilian, let alone a soldier, who did not know in June 1944 who was in charge of the land forces preparing to launch the long-awaited Second Front.

Not was General Montgomery a mere figurehead; his influence permeated 21 Army Group level, and from time to time coinciding with Economic Summits at Heads of Government level. At Guadalupe in 1979 the four Heads of Government were acknowledged to have discussed security issues. It is worth considering whether a grouping of five—the Soviet Union, the United States, West Germany, France and Britain—would be an acceptable steering group to act as a link between the existing arms control forums which affect European security.

In this way highly secret nuclear weapon systems might be discussed and the concept of nuclear free zones and some coherence and political leadership given to the present disparate and disappointing arms control negotiations.

Based on an article by Dr David Owen in the May/June edition of the International Institute for Strategic Studies journal Survival.

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missiles as Britain's contribution to the deterrent.

Britain will carry little credibility in asking other non-nuclear weapon states to take arms control more seriously if she is not even prepared to participate in negotiations herself because of the fear of including her own nuclear weapons. Britain cannot easily justify, only on grounds of national deterrence and national military requirements, her continuation of strategic nuclear weapons. Her possession or discontinuation of such weapons has a very high political content.

Ensuring West Germany stays non-nuclear and that France is not the only European nuclear weapon state are political not military objectives, as is ensuring that our public commitment to disarmament is to use our nuclear knowledge constructively in all arms control forums. A radical and positive role for a European Disarmament Conference could arise if scheduled for some years ahead, say 1982-3, and it could become the forum which could bring together and co-ordinate decisions taken in the framework of Salt, CTB, MBFR and Helsinki.

A 35-nation European conference would need careful prior preparation by a small group of countries. To avoid creating a new structure it might be worth taking Berlin as the focus.

Quadrilateral machinery between the Soviet Union, America, Britain and France as the four occupying powers no longer exists. Also in existence is the Bonn Group for co-ordinating views between France, Britain, West Germany and the United States. Not only do these meet at official level but also regularly at Foreign Minister level, and from time to time coinciding with Economic Summits at Heads of Government level. At Guadalupe in 1979 the four Heads of Government were acknowledged to have discussed security issues. It is worth considering whether a grouping of five—the Soviet Union, the United States, West Germany, France and Britain—would be an acceptable steering group to act as a link between the existing arms control forums which affect European security.

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This report assesses the political and economic climate of Kuwait and includes a two-page business briefing

The 'smart operators' of The Gulf

With characteristic finesse the Kuwaitis have succeeded in establishing themselves as respected advisers to the Arab world. For a nation Israel and the orthodox 'which has progressed from a policy of resisting the two super powers. It is an astonishing achievement. But Kuwaitis delight in describing themselves as 'smart operators' of the Gulf and they see in the emergent Gulf states the strength in having so many more recently to the rest of the Arab world.

It has been in pursuit of the overall aim of achieving with Iraq, Saudi unity and the Gulf and Arab unity that Shaikh Saad visited Kuwait. However, the Kuwait press air's Gulf neighbours said there is no doubt that year, and returned last this is seen as being far more important than any

of the occupying force. The 'not only' of the Gulf, should become adept at keeping its political balance and helping others to keep theirs. But Kuwait is not

about its own difficulties in addition to those which it faces with the other Gulf states and still others which share with the Arab world generally. Kuwait has achieved one of its present in-ice in the Arab world with the careful direction of Shaikh Jaber, the

The meeting between the two heads of state did not settle the border issue but it did at least produce an agreement for the establishment of a joint committee of the poor health of his predecessor, Shaikh to deal with the matter.

A major figure in the development of Kuwait's external relations, however, is Shaikh Saad al-Sabah. A further announcement at the same time of talks to be held between Prince and Prime Minister set up joint industrial projects and agricultural

Through Shaikh Saad schemes as well as the establishment of rail and water links. Shaikh Saad's recent talks in Baghdad, Amman and Damascus, however, can be seen in the wider context of the forthcoming Arab summit meeting to be held in Jordan as well as a move to strengthen—use an expression of a local newspaper—the Arab "Eastern Front" in the confrontation with Israel.

For establishing an accord with Iraq, Shaikh Saad visited Kuwait. However, the Kuwait press air's Gulf neighbours said there is no doubt that this is seen as being far more important than any

of the occupying force.

While the media gratefully welcomed the Prime Minister on his return from that tour it was understandable that the most enthusiastic reception was reserved for his talks with Iraq's President Saddam Hussein. Iraq, of course, has any wish to emulate Ayatollah's revolution and it is probably safe to assume that with the Arab world officially relinquishing manifestations of affluence claims on the Kuwait border have been enough to suppress such extremist fervour as might have existed.

One form of Arab radicalism that is occasionally spoken of in Kuwait, and not entirely in jest, is the possibility of readopting the Arabic numeral system instead of the Persian-Indian

of which are state-owned.

The agreement also pro-

vides for the French and places it second to Saudi Arabia, with \$75,000m, before a move can be made.

Western influence in Kuwait despite Britain's companies to take Arabia, with \$75,000m, before a move can be made.

On the question of diversification generally, however,

Mr al-Mousa pointed out

that all of the Gulf coun-

tries, having basically

the same resource,

are trying to develop the

same kind of industries and this

has meant that the emphasis

has been on petrochemicals.

"But Saudi Arabia has

recently commissioned five

new petrochemical plants

which is obviously in com-

petition with what the other

Gulf countries are doing."

It seems surprising that

an economy with that kind

of financial backing could

experience a slump or even

a slight recession. But mod-

ern international economics

has lessons for even the

wealthiest and, although

Kuwait carefully avoided

the uncontrolled growth of

many of its Gulf neighbours

in the mid-1970s, it has deli-

berately imposed restraints

on government spending

over the past three years or

so. The result has been to

keep inflation down to an

annual single figure though

inflationary pressures are

expected to keep it near to

10 per cent in the current

financial year.

The Kuwaiti policy of

diversifying its industry so

years, commentators have

been suggesting that Kuwait

could take over from Beirut

as the financial, banking

and commercial centre of

the Middle East. Another

comparison might be made

with Switzerland. It is one

that gives Kuwaitis great

satisfaction.

Kuwait is the only emer-

gent Gulf state to have

established and retained

diplomatic relations with the

Warsaw Pact countries and

it is this, more than any

aspirations towards Middle

Community. "Some Arab

countries are trying to work

with the EEC in one way or

another," said Mr al-Mousa.

Recently published survey

showed that Kuwait's

foreign assets now total

\$40,000m. a figure which

wait for all Arab countries.

Alan Grainge

been seen increasingly, and probably erroneously, as a state, Kuwait can be said to be a single country to become Saudi Arabia for the leadership of Opec.

Saudi Arabia's production is too large for any other single country to become Opec's most important spokesman. Nevertheless, Sheikh Ali Khalifa's influence is becoming more and more the evident leader of opinion of the smaller Gulf producers.

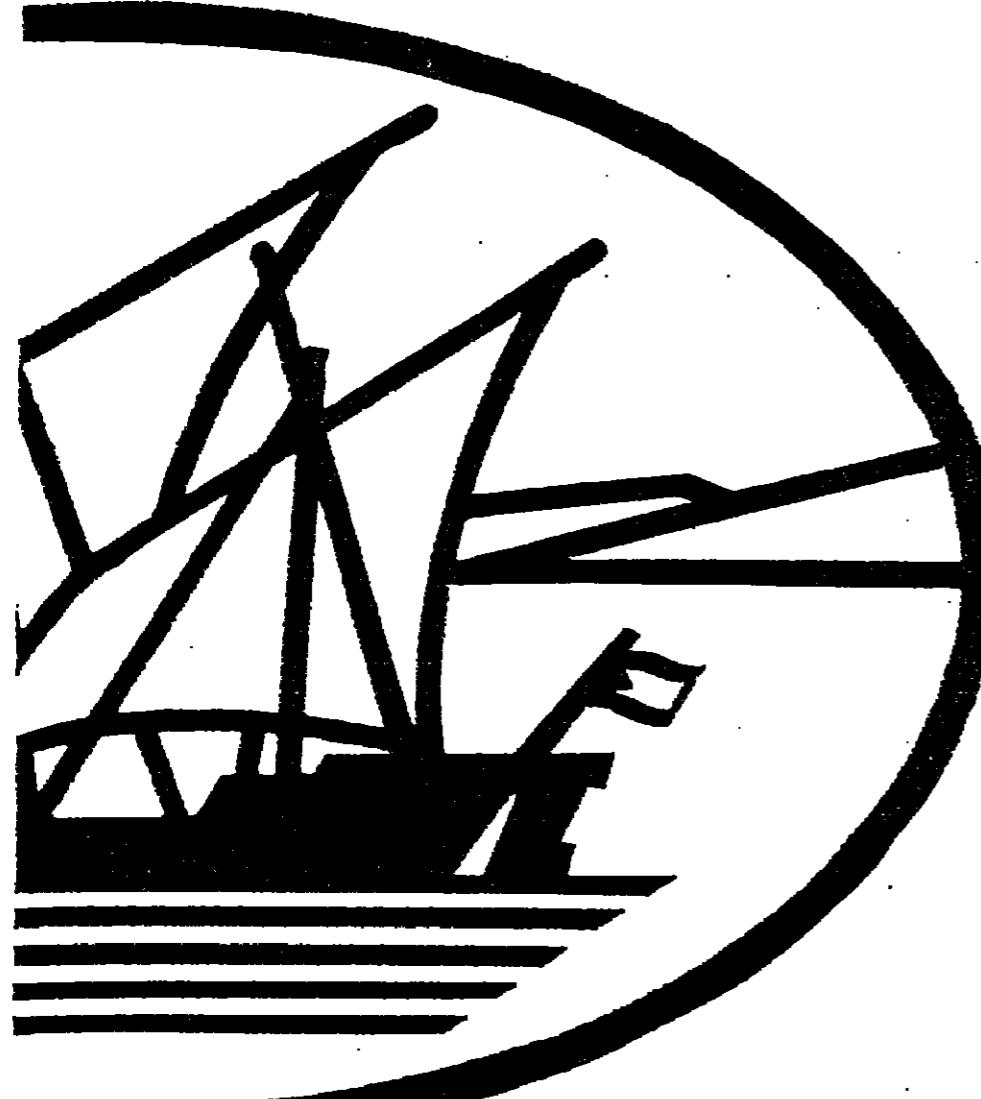
Kuwait was, in fact, the first Arab oil-producing nation to achieve 100 per cent control of its output. Having taken a 60 per cent holding in the concessionary company in 1974, after the Opec meetings following the Second World War and Arab oil embargo imposed during the Yom Kippur war, it bought out the remaining Gulf Oil and BP holdings in March 1975 for an estimated \$32m.

This was far less than either company had been hoping for. Threats to cut off BP's oil altogether if an agreement was not reached had been issued. Ironically, the main point of dispute had been the unwillingness of either company to guarantee lifting 650,000 barrels a day—oil which they would now give their eye teeth for.

The success of the nationalization, in effect, did not really show through until this year. By 1977 Kuwait was having difficulties in producing sufficient revenue. Currency fluctuations which had eroded the value of the dollar, and also world inflation, had reduced the price

continued on next page

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Egypt Stuart Mott, Thomas Cook Overseas Ltd, 4 Champion Street, P.O. Box 165, Cairo, Tel: 43691. Tel: 92413. David Essawi, 15 Midan Saad Zaghloul, P.O. Box 185, Alexandria, Tel: 27830. Telex: 54138. Hassan Mahmoud, New Winter Palace Hotel, Luxor, Tel: 2402. Cables: Thomas Cook Luxor. Mohamed El-Bat, Oberoi Hotel, Aswan, Tel: 3455. Telex: 92120. Samien Kholos, Station Square, Maadi, Tel: 743688. Telex: 92413.

Iraq John Marshall, Thomas Cook Overseas Ltd, Sa'adun Street, P.O. Box 2007, Baghdad, Tel: 888972/3. Telex: 2464.

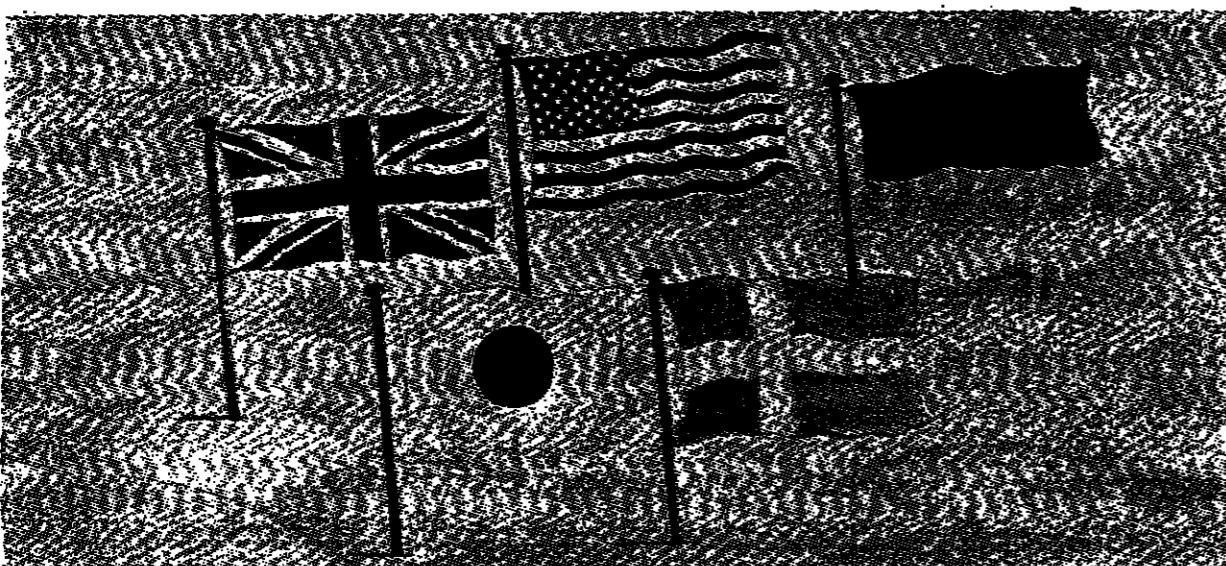
Kuwait Alan Holmes, Thomas Cook (Kuwait) Travel and Tourism Company KSC, Amer Al Sabah Building, Fahad Al Salem Street, P.O. Box 24504 (Safat), Tel: 424797. Telex: 3413KT.

Lebanon Antoine Kratz, Thomas Cook Overseas Ltd, Al-Moutawakel Building, Monsieur Misseira Street, Achrafieh, Beirut, P.O. Box 11-0065. Tel: 346260. Telex: 21512.

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Plan to coordinate petroleum activities

Within the past 12 months from oil production of three million barrels a day (b/d) flared was far too important to be wasted and that it should be put to better use. The Gas Project, therefore, was designed to extract propane, butane and natural gasoline, the feedstock for petrochemicals, from all the gas associated with crude oil production in Kuwait.

In providing the essential feedstock, the big plant at Mine 1, Al-Ahmad, offers ample scope for growth.

"It will comfortably meet the nation's current requirements," a KOC executive said, "as well as giving scope for increased production should Kuwait decide to such suggestions, however, is that the Al-Ahmad

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Nationals benefit from world's most generous welfare system

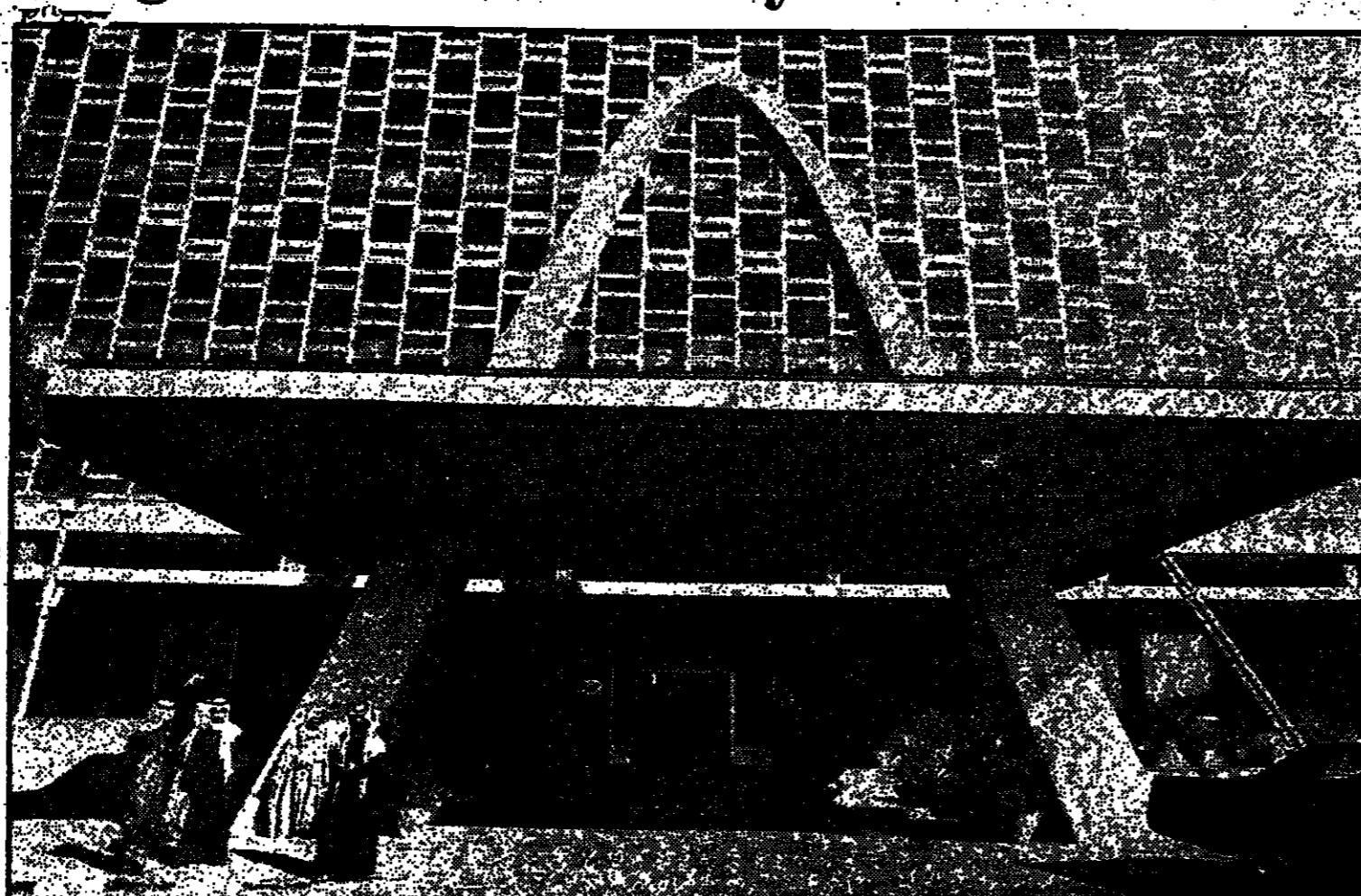
At six in the morning traffic jams build up at major junctions as drivers and passengers interlock on cars and remian static enough for newspaper sellers to stroll between the minis, Buicks, Oldsmobiles and Chevrolets in response to the cacophony signals from consumers in the warm early sun. The rush of big, mostly American-made cars is no surprise in a country where petrol costs the equivalent of 11p to 14p a gallon. But that is only one reason why Kuwaitis are well content with their lot.

A benevolent Government, even though it still carefully controls its extraordinary oil wealth, provides Kuwaiti citizens with the most generous welfare system in the world which effectively removes any problems about the provision of housing, education and health care. One estimate which appears to have been accepted by the Kuwaiti authorities has suggested that in a normal life-span the individual Kuwaiti can expect to receive government benefits totalling about £125,000.

One of the problems facing the Kuwaiti authorities, however, is that the country's own nationals comprise fewer than half the population. The latest census published a few weeks ago shows that the latter now totals just over 1,300,000, an increase of 360,000 (34 per cent) in five years. The increase has been due largely to the continued influx of foreigners who make up the essential workforce: and there are now estimated to be some 350,000 Palestinians and about 150,000 Egyptians as well as other Arabs and large numbers of Indians, Pakistanis and Koreans working in the country. There is also an unexpected thriving Roman Catholic community.

While the native Kuwaitis are the only ones enjoying first-class citizenship, it is likely to remain exceptional. A prominent Kuwaiti newspaper editor puts forward the case for redressing the imbalance between natives and others by granting to long-serving Arab expatriates citizenship "of a certain category to be created for the purpose".

If it is difficult to come by the status of first-class citizen, it is apparently easy



The striking architecture of Kuwait's parliament building.

second-class citizens.

Occasionally exceptions have been made when the authorities have conferred Kuwaiti citizenship on a Palestinian. One instance of this which received popular acclaim was the granting of Kuwaiti status to the national football team's Palestinian goalkeeper, Ahmad.

This kind of honorary citizenship, however, is likely to remain exceptional. A prominent Kuwaiti newspaper editor puts forward the case for redressing the imbalance between natives and others by granting to long-serving Arab expatriates citizenship "of a certain category to be created for the purpose".

If it is difficult to come by the status of first-class citizen, it is apparently easy

enough to lose: the local newspapers from time to time carry reports of Kuwaitis who have lost their Kuwaiti citizenship. For reasons which remain obscure or at least unreported, have lost their coveted Kuwaiti citizenship.

But it is characteristic of Kuwaiti life that discrimination and the identification of different classes of citizenship appears to be accepted without, on the surface, at least, any organized protest. More than a fifth of Kuwaiti citizens, for instance, are Shi'ite Moslems, many of them with Iranian origins, and they have traditionally been excluded from positions of responsibility or influence. So far, the Shi'ites have not formed a unified group though many openly supported the Ayatollah Khomeini on his assumption of control in Iran.

The proposed revival of the National Assembly will at least provide a means of

public debate that does not acknowledge the mind of Moslem radicalism, in the region have not shown any trace of unease at the presence of such a large enclave of potential opposition. It appears to have been agreed that it had become a disruptive element with delayed legislation and had become merely the battleground for disputing factions, some religious and others—like the Kharibists—politically radical.

A special committee is now examining the question of reviving the assembly and it is expected to report to the Emir, Sheikh Jaber, in August. Informed observers expect the new assembly to become operative by the spring of next year and that it will take the form of a consultative council combining government-appointed and elected members.

One of the questions being examined by the committee is whether the new assembly should have only 50 members, like the previous assembly, elected from 10 constituencies. It can be assumed, however, that it will not recommend that the assembly be modelled on the Western style of parliamentary democracy.

The Kuwaiti authorities have developed a system that is both benign and paternalistic and it clearly satisfies the average Kuwaiti non-voter as he glides sedately down Arabian-Gulf Street in his Cadillac. But to prevent the younger generation getting too soft in its easy-going, affluent lifestyle the Government has recently introduced compulsory national service.

"Otherwise", a government official said, "no many rich merchants' sons would do nothing all day but sit around playing the stock market".

Fund prefers projects to programmes

The Kuwait Fund for Arab Economic Development is something of a showpiece. It is the oldest and richest of the foreign exchange component funds, having been established in 1952. Its scope of wealth changed the face of the Gulf. Yet it represents only one aspect of Kuwait's development, and though possibly one which will continue to grow.

The fund's records

for the fiscal year ended June 1979 show that in 1978-79 there were 25 new loans valued at a total of KD57.5m (£21.25m)

which was nearly double the 14 loans extended during 1977-78.

This brings the cumulative value of the 142 loans made by the fund since it began to more than \$2,000m committed in commitments to 48 different countries. Interest rates, as before, a development agency, were on 50% terms extending from 0.5 per cent to 4.5 per cent including service charges with final maturities varying between 15 and 35 years.

The fund has always had a preference for project lending even though Mr al-Hamad was a member of the Brundt Commission which recommended an increase in programme lending.

The Kuwait view is that programme lending calls for greater supervision and trust which, with its small corpus of top professionals, it is in no position to exercise.

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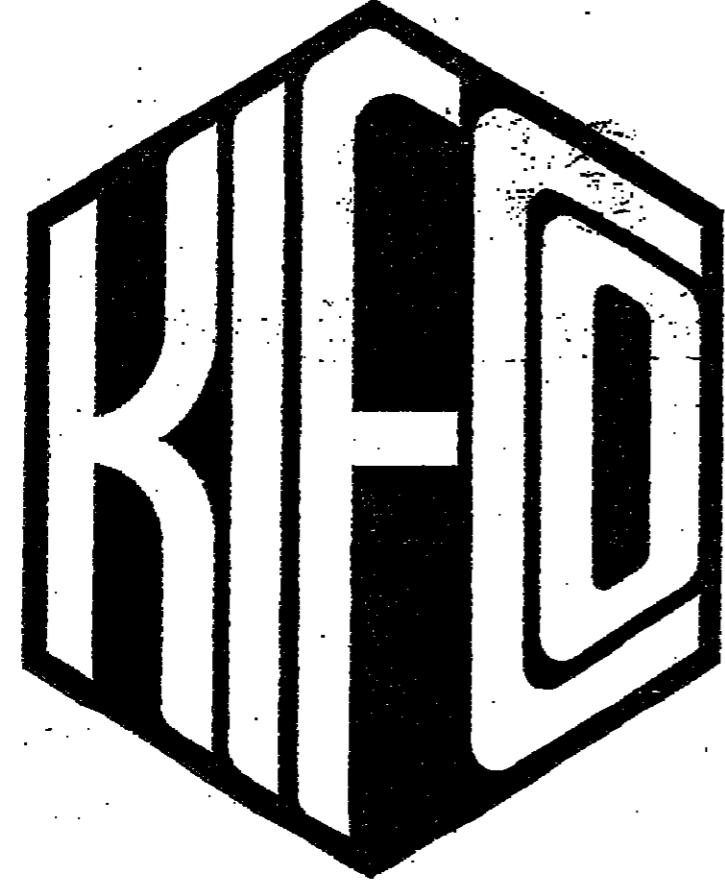
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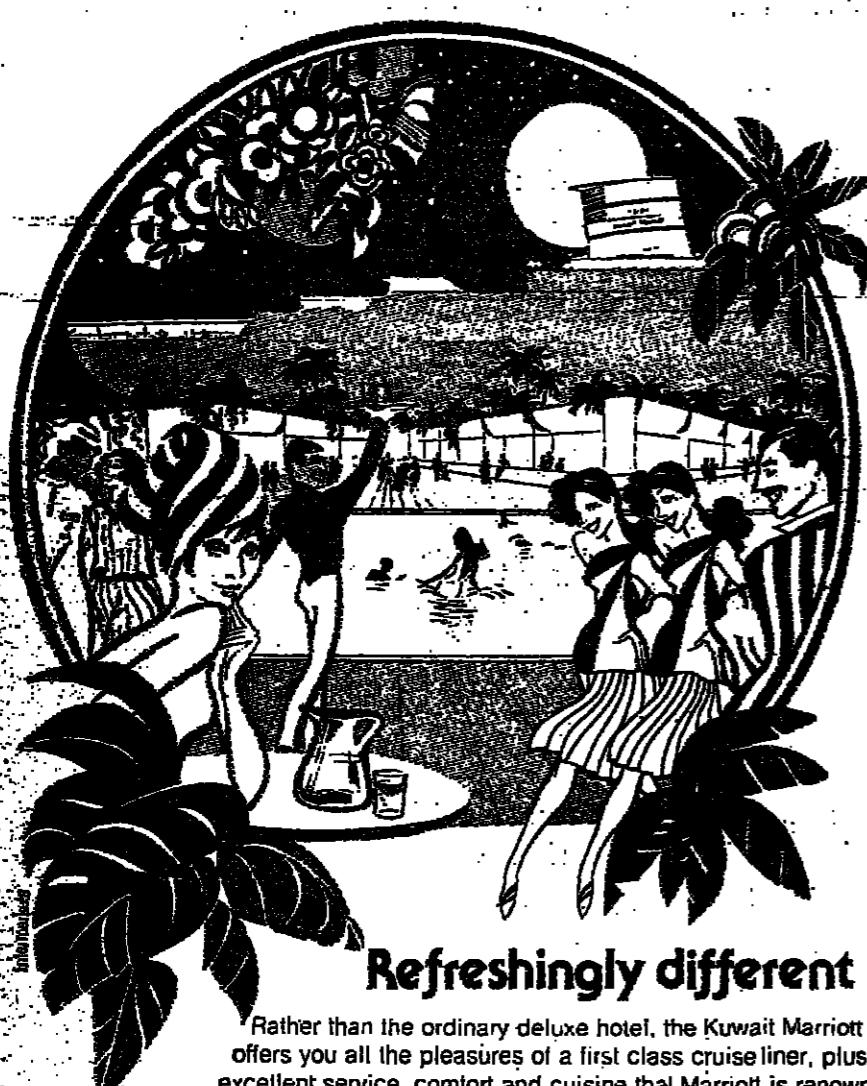
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Gustavo Ferrari talks to four men and gives their views on a country which is unofficial adviser to the Gulf states

Opportunities for investment

"There are still good opportunities for investment inside the country", Mr Bader Sultan, chairman of Sultan Ben Essa Co says. Like many Kuwaiti family-based enterprises, the Sultan group extends its activities to a number of items managed by seven brothers. The company deals with investments, insurance, travel, construction, industrial projects, general trade and so on.

Mr Bader Sultan says he is personally taking care of the investment division and considers himself a conservative in that field. Although the company is of considerable size, he has not expanded internationally; most investments are placed in the Kuwaiti market. "The main part of our investment now goes to real estate", he added.

"At the moment, there are few large projects for industrialisation", Mr Sultan said, "and I do not think there will be. Kuwait is still a small market with capacity for only light industries and those chiefly in the consumable goods field."

Regarding imports, he sees foodstuffs as the main commodity followed by building materials, although here the demand has been decreasing because of a slowdown in construction. Another factor, in his opinion, is that most of the government projects are taken by South Korean companies which bring the materials from their country.

Speaking about the great influence of the Korean construction companies, Mr Sultan says that during the past five years they have been eliminating most of their competitors through very low prices—usually 25 per cent less than the nearest competitor. The key to their success, he says, is that they are strongly subsidized by their government.

Cheap labour is brought from Korea and accommodated in temporary camps, which are dismantled and taken away to a new location once the project is finished.



Two years ago, he says, the imports of electronics were almost equal to foodstuffs, but now the market has become saturated in those items. "It is luck that we have the possibility of going to other markets with items that are saturated here. Otherwise we would have to stockpile for years to come."

The volume of reexports to Saudi Arabia and Iraq is less than before. "There was a very strong reexport to Saudi Arabia when there had congestion in their ports; now they have solved the problem and their demand for goods from here declined. But sometimes they run short of certain materials, or they need them urgently. They cannot afford the time-wasting shipments and come to Kuwait

where they find the goods ready and at reasonable prices—sometimes lower than in Europe."

"Now our problem of port congestion is solved. We have got very good facilities and the waiting time is minimized."

"Most of the time there are no delays; when they do occur it is not for more than five days to one week."

'In search of peace'

Ambassador Abdulla Zakaria al-Ansari is director of the Press and Culture Department in the Ministry of Foreign Affairs. But he is also a writer. The author of nine books, he is an outspoken personality well-known in the Kuwaiti community. Since 1972 he has been publishing one book each year from analysis of and comment on Kuwaiti poets to politics and communications. Titles like *Politics and poetry: the unity lost between them*, *Spirit of the pen, the writers in dialogue*, or *In search of peace* show the range of his interests.

"There are no changes in The Gulf area", he says, adding that the internal revolution in Iran did not bring any consequences for the other countries of the area. Another

American intervention, like the frustrated commando operation, would be the real source of danger, he says.

Mr al-Ansari thinks that with the overthrow of the Shah's regime, the United States lost one of its strongholds in the area, but this does not mean there is a power vacuum.

He sees an ideal solution for the security and stability of the region. Mr al-Ansari pro-

mises that there should be a meeting between all the countries concerned and the Gulf countries to work out conditions for a non-intervention treaty. In that way, he believes, the oil would be for all the countries and not only for the United States, or whoever has the power to take it by force.

He sees strong unity as the only means of guaranteeing the security of the Gulf countries, but thinks that this is unlikely to happen because of the interference of the big international interests. Describing international politics, he says that the ruling principle is the law of the strongest.

Asked about the use of oil as a weapon, he says:

"If somebody puts a knife to my throat to kill me, what can I do? Is it not my right to do anything I can?

If I die, I have nothing else

to lose. I would do whatever I can to save my life."

Regarding Afghanistan, Mr al-Ansari says that the Soviet intervention came as an answer to the previous intervention the United States was making through its agents there. In his opinion, Russia moved in at the request of the Kabul Government as executor of an existing treaty between them. He made it clear that he was explaining rather than justifying the Soviet action, of which he disapproved. "We condemn the Soviet military intervention, as we also condemn the contradictory attitude of the United States, which weeps over Afghanistan, but helps Israel in taking the Arab land, in invading Lebanon and so on."

He said that the Kuwatis want that.

They have been traders for hundreds of years and it

seems to me that they will continue along the same or similar lines. Nevertheless,

the country is approaching industrialization in a more



He said: "I do not think that this country is clever. In fact there is no balance, balance, balance, as international country. We are happy with our government, and their policies are

realistic with the world thought, and less abrupt.

"Strange and politics does not position here. If happy with we have a simple cut the next year, then this is a clever. In fact there is no balance, balance, balance, as international country. We are happy with our government, and their policies are

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Michael Prest considers two related dilemmas of a country with enormous income

How to dispose of a revenue surplus

Whereas in these straightened times most countries are seeking to reduce expenditure, the Government of Kuwait is constantly trying to raise spending to meet income. The apparently inexorable rise in oil prices, partly because of market pressures and partly because of conscious decisions by the Kuwait Government among others, leaves government revenues way beyond requirements.

Even after the prudent policy of suppressing inflation and the legal minimum of saving have been met, Kuwait's revenue surplus in the current financial year could be as much as \$8,000m. Spending which is not directly productive in an industrial sense falls into various categories. One is dispersal of income overseas, either through foreign aid or through investment forming part of state reserves. To some extent both may be regarded as aspects of foreign policy.

The second is social development at home, a heading which must be treated cautiously because of the many activities it embraces. Unlike expenditure abroad, which can be seen as a weapon against inflation, social expenditure may increase inflation and is therefore approached by government with care. A third spending category is domestic basic services and industry.

Perhaps the most extraordinary figure, in a country where statistics are almost American in their capacity to surprise, is the volume of foreign aid given. Kuwait is estimated to be giving away annually about 7.5 per cent of gross national product, or, if that rate is maintained, about \$1,500m this year. Since independence in 1961 Kuwait may have given away \$10,000m. All this is quite separate from commercial and private investment outside the emirate.

Two main channels are used for official assistance. The best known is the Kuwait Fund for Arab Economic Development, founded in the same year as independence. After a number of accretions, the fund's authorized capital is now about very different. Foreign in-

\$3,800m, and the paid-up investment by the Government is \$125m.

In practice assistance is not completely restricted to Arab states, although they received about half the Kuwait Fund for Future Generations.

At the end of 1978 the fund held about \$13,000m, and must now be about \$15,000m. The limitations of the Kuwaiti economy mean the vast bulk of this considerable sum must be invested abroad.

In addition, a policy of providing as much as possible for the future—in other words, deferring current spending—against a fall in oil income, which is not necessarily the same as the "oil running out", means that the state general reserve has assets of a further \$20,000m to \$25,000.

Most of these funds are handled by the Ministry of Finance, amid great secrecy.

The largest proportion is obviously in the United States, and even more could be denominated in dollars. Altogether about 18 portfolio managers are thought to be involved, including most of the world's leading banks.

The more public investments are 14 per cent in Daimler-Benz, a large piece of real estate around the Champs Elysées, and 35 million shares in various Japanese heavy industries.

These overseas holdings probably generate an income of at least \$3,000m a year, all of which is promptly reinvested.

One type of domestic expenditure which is unavoidable, again for reasons of policy and prudence, is industrial and basic service development. Curiously, Kuwait might still in some ways be thought an underdeveloped country if judged by these standards. Apart from the oil sector and a small amount of private and industry catering for construction and home consumption, government policy towards industry has been cautious.

The project budget in this financial year is only about \$1,500m, of which a mere \$140m is for new schemes.

Some of the same considerations may apply to official foreign investment, but in this case the stringencies are very different. Foreign in-

All economies have their oddities, but Kuwait's is one of the strangest. Consider:

a government whose revenues may run this year to more than \$20,000m has only two chief ways of controlling income and expenditure—reducing oil output and putting more cash to reserve.

At the end of 1978 the

same token, the incentive to work in a supposedly free enterprise economy is much reduced.

The claims of the population to become renters are all the harder to resist because the Government has so few macroeconomic instruments at its disposal. There are no taxes, although the idea has been mooted, so the sole fiscal weapon is control of government spending.

This has been used with some success over the past two years, chiefly to bring down the inflation rate.

The 1977-78 and 1978-79

general budgets were held at about \$8,300m, and the present budget allows for only a slight increase in prices.

Partly as a result, inflation has subsided from about 25 per cent a year to roughly 12 per cent.

Income which is not spent is put straight to reserve.

By the end of 1978 those reserves stood at the enormous amount of approximately \$35,000m, and are probably growing by some \$10,000m a year.

For the other side of the expenditure equation is the equal difficulty the Government has in reducing imports. Oil production has

now been cut to 1,500,000 barrels a day, one million barrels a day fewer than a year ago.

But over the same period Kuwait's oil prices have gone up by nearly 150 per cent, although for a time the official policy was to hold them down in the interest of oil importers.

An illustration of how embarrassing oil income is

from other sources covers about 35 per cent of government expenditure.

Of rapidly growing importance is investment income, now possibly more than \$3,000m a year. Government planners believe that the non-oil gross domestic product is capable of sustaining a real growth rate of 7 per cent over the next five years, compared with 17 per cent a year between 1972-73 and 1977-78.

The sector includes private industry, basic services and government projects in petrochemicals and related fields.

It remains to be seen, however, whether the planners can either plan or put their plans into practice. The record so far is not good, although whether that

much matters in a country such as Kuwait is debatable. The planners' essential aim is to diversify away from oil.

At present consumption rates, reserves are expected to last for 100 years. But it is impossible to anticipate what will happen in that time, and Kuwait has no wish to remain a monoculture economy.

More specifically, dependence on oil in the international economy as it is at present constructed implies a continuous inflationary danger.

This danger explains one of the central oddities of the Kuwaiti economy. Despite

the theoretical increase in the actual rise in individual living standards is much slower. Last year the World Bank estimated per capita income at \$14,900, the highest in the world.

Between 1972-73 and 1977-78 total gnp expanded at an average of 22 per cent a year.

But government efforts to control inflation by holding down spending and paying a steadily larger proportion of income to reserve mean that available income per capita is in fact much less than total gnp. By the end of the current financial year, for instance, it could be about half the gnp.

The reverse, however, is that the Government has ample resources to pump into the economy if and when it is necessary.

During last year's liquidity crisis, brought on by fixed interest rates well below international rates and by a massive flight of funds after

the fall of the Shah of Iran, the authorities resorted to their old device of land sales.

Increased welfare spending, especially on housing, may also be seen as adding to income.

But whatever policy instruments the Government employs, one problem is likely to prove very hard to overcome.

Development away from oil implies sucking in an even bigger foreign labour force. According to the 1975 census, the population consisted of 502,300 Kuwaitis and 563,000 others.

The census now being conducted could reveal a population of 1,800,000. By the year 2000 it is likely to be much bigger than the 2,500,000 originally forecast by the planners.

And although the strictly Kuwaiti population is growing faster than the non-Kuwaiti, the latter will still be about half the gnp.

In itself the national composition of the population should not be a factor of economic importance. But the understandable concern of Kuwaitis to preserve their identity effectively limits the labour supply.

Improvements take time, however, and time may not be on Kuwait's side.



Investors look abroad at real estate

The flight of funds from Kuwait resulting from political uncertainty in the region

has halted the attempt to create a diversified capital market at home. There is increasing evidence that the Government, the investment companies and the private sector are looking more at investment opportunities abroad in real estate and blue-chip equities.

Leading companies such as the Kuwait International Investment Company (KVIC) are hedging to protect their

positions. Mr Hikmat Nasab-

shabi, the KVIC general manager, and perhaps the best known Kuwaiti banking personality abroad, says:

"From 1980 our income will come mainly from investment in real estate."

As if to emphasize the point one of the least well known Kuwaiti interests, Artoc Bank & Trust, has just paid \$15m for the Eiffra site, Vauxhall Bridge, in London. In January Kuwaitis bought for \$120m five Paris buildings in avenue Montaigne and rue Jean Goujon which are the present headquarters of the French chemical group Rhône Poulenc.

The Government has recently acquired a 10 per cent stake in the Frankfurt-based metal smelting and trading company Metalgesellschaft

to match its other interests in Korf Stahl and Daimler-Benz and in the private sector wide publicity has been given to the acquisition of a 10 per cent stake in Grindlays Holdings, which has a controlling stake in Grindlays Bank, by the Kuwaiti business house Mussad al-Saleh & Sons.

In November Kuwait began to buy large numbers of shares in Japanese companies. By early December this was estimated at 102 million shares in 96 companies by the daily *Nikkei Keizai Shimbun*, though this may be only the visible portion since disclosure laws apply only when the equity holding reaches 25 per cent.

Analysts link the Kuwaiti interest in Japanese equities specifically to strength in the dollar but entrepreneurial flair is also a factor—Japanese equities, in the Kuwaiti view at least, have been undervalued.

The pattern of holding is very much the traditional one of the Gulf investors. When Kuwaiti investors move to larger areas and attempt to take controlling interests in companies to sway policy, they have been less successful. Two such failures were when Kuwaitis failed to buy into two Japanese oil refining companies, Idemitsu Kosan Company and Maruzen Oil Company, and when Shaikh Nasser Sabah al-Ahmad al-Sabah failed in 1979 to get directors nominated on to the board of Lonrho in which he has a 19 per cent stake.

If political uncertainty was

one half of the equation which equalled the suspension of the capital market, then the other was high dollar interest rates. A moratorium has to be imposed on new Kuwaiti dinar bond issues in September 1979 and this is unlikely to be lifted unless international interest rates fall close to the 8 per cent which is being offered in Kuwait.

Until the moratorium was imposed, 1979 had seen 13 Kuwaiti dinar bond issues totalling KD 106m with cou-

pons extending from 7½ per cent to 8½ per cent. This has been an indication that the market is pleased aspect to advocates of the Kuwaiti dinar bond market was the arrival in 1979 of triple A rated (high quality) borrowers such as Caisse Centrale de Co-operation Economique de France, the Swedish electrical equipment manufacturer Asea, the Norwegian Norges Kommunalbank and the Finnish borrower Teollisuuden Voima.

This has to some extent supported the arguments of Nasabshabi and others that the market has created its own momentum. It saw the first private sector credits which were non-government guaranteed and the issues had been placed in an atmosphere of an inverse yield curve.

Yet all this is to some extent special pleading. The big growth in the Kuwaiti dinar bond market in 1978 was the arrival of City of Oslo, the first private name, was all against a background of weakness in the dollar. Although there has been some reduction in United States banks' prime rates, which may result in a recovery, it will be difficult to reestablish the Kuwaiti dinar market at anything like its 1978 level.

Analysis of the 1979 issues shows that about 80 per cent were placed locally, although only 2 per cent with private investors. This demonstrates that bond issues in Kuwait tend to be club deals among the major institutions—Kuwait is possibly alone among Gulf countries in having a diversified range of financial institutions extending from entities such as Artoc to giants

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THE TIMES

BUSINESS NEWS

HIGGS AND HILL

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1115.75, up 0.39

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Ireland, page 19

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THE POUND

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Rates for small denominations bank notes only, as supplied yesterday by the Bank of England. Different rates apply to travellers' cheques and other foreign currency business.

Bank withdraws £1,000m from money markets and cancels £500m recall

By Roman Eisenstein
Banking Correspondent

In a further smoothing of interest rates, the Bank of England is withdrawing £1,000m from the money markets and £500m from the recall of due on 16 June. The move is in response to the easing of pressure on interest rates.

So for the first time since 1977 the banks are relieved from special deposits. With the "corset" coming off next month, the Government's only control of monetary policy is to be action on interest rates.

Earlier in the year the Bank, in an attempt to prevent interest rates rising further, allowed clearing banks to sell and repurchase later £1,000m of gilt edged stock, equivalent to 3 per cent of their eligible liabilities.

The Bank also temporarily pumped £1,000m into the banking system by releasing for a short while the 2 per cent of

the eligible liabilities the clearing banks had to place with the Bank of England as special deposits since 1977.

Although the Government is committed to a free market in money rates in the first four months of the year the authorities felt that a Minimum Lending Rate of 17 per cent was as high as they could go. There were then intense pressures for higher rates because of the very large flow of funds from the private sector into the Exchequer.

There were advance payments to the British National Oil Corporation of £600m and the Government had brought forward by two months the payment of the Petroleum Revenue Tax.

Together with an active policy on gilt sales the tax gathering season and sudden payment of telephone bills after the strike the public sector had a temporary surplus at a time when demand from the hard pressed corporate sector was strong.

The Government then took the view that as the problem was temporary some relief on interest rates would not clash with the Government's philosophy. Even so, until last month, the authorities had in effect, to intervene to prevent interest rates moving higher.

And had the recall of the £500m from the banking system not been cancelled rates would probably have gone up even now.

As the public sector is now moving into deficit interest rates have fallen slightly. The overnight rate, for example, which in April stood at 17 per cent is now below 16.5 per cent.

The authorities can the risk of losing their right control of the money markets.

On May 9 the Bank of Eng-

land cancelled permanently the

banks' eligible liabilities which

were equivalent to £500m and it is now cancelling the rest.

Financial Editor, page 19

£40m order
for British
Aerospace

By Arthur Reed
Air Correspondent

British Aerospace announced yesterday that it has landed the first order for the four-jet 146 airliner. Six of the aircraft will go to the Argentinian airline, Lineas Areas Privadas Argentinas (LAPA) in a contract worth initially around £40m.

The order is a vital one as the project has been plagued by cancellation rumours in the past. The feeling in some parts of the world aerospace industry was that, with fuel costs soaring, it was the wrong moment to market a small airliner, with between 70 and 100 seats, with four engines.

Other airlines are expected to take increasing interest in the project now that LAPA has opened the order book.

The LAPA Argentine order is for three aircraft initially, two series 100, each with 80 seats, for delivery in September and October 1982, and one series 200, 100-seater, for delivery in March 1983. Three more aircraft, all series 200s, are on option to buy, with deposits paid.

The 146 is being assembled at the Hatfield, Hertfordshire, works of British Aerospace from parts made at other BA factories, and aerospace companies in the United States and Sweden.

The first set of wings arrived from the Avco company in the United States earlier this week, and the first centre fuselage is expected to arrive from BA's factory at Filton, Bristol, today.

Interest rates and strong pound attract big capital inflows

By Caroline Atkinson

High interest rates and demand for the pound attracted large capital inflows into Britain in the first three months of this year.

A surplus of about £1,000m on the capital account of the balance of payments accumulated in the first quarter of the year according to the official balance of payments figures published yesterday. This was more than enough to cover the deficit of £586m on the current account.

British payments to the EEC fell to £234m, but this drop was technical. The British contribution to the community budget during the remaining part of this year is likely to be much larger, although a lot of the money should return in the first quarter of 1981.

The large inflows of capital during the quarter pushed up the pound from an effective exchange rate of 70.2 per cent of its 1971 level in January to 72.5 per cent at the end of March.

Overseas residents built up their holdings of sterling, mostly as bank deposits or Treasury bills. Little of the £700m inflow from overseas residents went into gilt during the first quarter, suggesting that much of it was hot money looking for higher short term interest rates.

This inflow was balanced to some extent by increased lending abroad by British banks, which is thought to have accounted for a £400m outflow of funds. One problem in both directions is that the abolition of exchange controls led to the abolition of most of the system for collecting data.

Further sharp drop in US car sales

The United States car sales many industry officials and outside analysts expected.

Dealers of domestic and foreign make retailed about 694,000 new cars in May, down from about 1,041,000 last year. Following the recent pattern, sales of imported cars fell from last year's unusually strong level, and all United States car makers posted sharp declines.

American car makers retailed 496,912 units, off nearly 37 per cent from last year. A Wall Street Journal survey of leading importers showed that the number of foreign cars retailed in May fell more than 22 per cent from a year ago to about

197,000 units, with virtually all main importers suffering sharp drops. In the year-ago month, foreign makes retailed about 254,000 cars.

Among domestic car companies General Motors' sales plunged nearly 34 per cent, Ford almost 41 per cent, Chrysler more than 49 per cent and American Motors nearly 39 per cent.

Volkswagen of America Incorporated, which had been posting year-to-year monthly improvements, reported its dealers sold nearly 1 per cent fewer units than in May 1979. Rebates change little.

Sperry Corporation

On April 24, our correspondent in New York commented on a television advertising campaign by Sperry, the American corporation. The campaign, which had been running in the United States for six months, has been extended to the United Kingdom and other countries. Our correspondent was, however, wrong about the particular episode not so shown in the United Kingdom. We accept that remark, and the dangers of it, and apologize for it.

House-Builders' is asking for the £25,000 in 1974, £50,000.

in deal

series has beaten from America to win the the installation of the major solar phone network in America. The £1.2m.

dancies group of engineer- s of Glasgow to force in Scotland 5,000, by about

there is nothing more cruel than employing people in an enterprise which is not viable.

He added that the performance criteria by which he could earn as much as £15m as BSC chief had not yet been finalized.

Mr Abse had suggested that social considerations should be included in the criteria—or Mr MacGregor might find it "irresistible" to achieve BSC's financial targets by cutting manpower still further.

He replied to an accusation from Mr Ioan Evans, Labour MP for Aberdare, that he was "a butcher's axe" to steel industry in Wales, Mr MacGregor said: "Instead of a butcher's axe, I would suggest we are using a pruning knife to the roses to get a better growth."

But he said that BSC would have to "examine very carefully the assumptions it had made about future prospects last autumn in the light of subsequent market conditions."

He defended his use of the McKinsey management consultancy to review how BSC was set up "to make sure we have the most efficient use of the people concerned".

Mr Robert Scholey the chief executive, denied that he had told a December meeting with the steel unions that closures

"We are for greater in debt to the Government in this respect than any other steel com-

Land Securities £108m rights issue

By Richard Allen

Land Securities, Europe's biggest property group, stunned the stock market yesterday with a £108m rights issue.

The issue will be the biggest since ICI raised almost £200m four years ago, and the sum involved is more than the total of all other rights calls made so far this year.

Land Securities is to offer one new share for every six held at a price of 26sp, representing a discount of over 20 per cent on the overnight price of 33p a share.

After the announcement Land Securities' share price fell 20p to 310p and sharp falls were recorded elsewhere in the property sector.

The group wants the cash to

finance further developments in particular two large projects in particular London, positions. These are the complete refurbishment of Devonshire House in Piccadilly, and the construction of a 130m square block in King Street in the City.

These and other refurbishment and developments represent future capital expenditure commitments totalling £20m at the end of March, while the group is considering several other possible freehold purchases.

The group's borrowings stood at £300m at 26 per cent of shareholders' funds at the last balance sheet date.

But Lord Samuel of Wycombe, chairman of Land Securities, is

known as one of the most cautious property chiefs, and has decided against borrowing at current rates to finance further development.

Together with a string of other property companies, Land Securities has recently reported a strong rise in earnings. Profits announced last month were 45 per cent up on £38m.

Also last month the group revealed that a sample valuation of its portfolio had thrown up an increase of 25 per cent on an end-March value of around £120m.

This would represent a fully diluted asset value of £490m a share which would fall to below 45p on the shares ex-rights.

While other sectors of the market have sagged, property

shares have risen strongly in the first part of this year reflecting early heavy institutional buying.

Before the rights, Land Securities had been among the strongest performers, partly because of its low gearing and the fact that almost 70 per cent of its portfolio is in London.

Market suggestions that Land Securities might be considering a takeover of another property company were denied by spokesmen last night.

Under the terms of the issue which has been underwritten by J. Henry Schroder Waggs, merchant bankers, profit terms are offered to holders of all convertible loan stocks.

Fed to maintain money targets

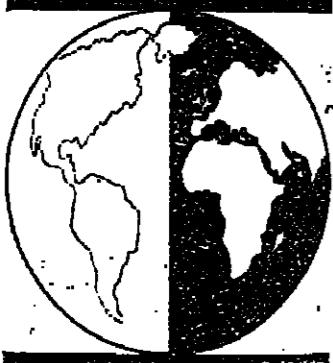
From Frank Vogl
US Economics Correspondent
Washington, June 5

Further moves by the United States Federal Reserve Board either to directly boost bank reserves or eliminate the remnants of the special credit controls imposed on March 14 are likely soon, according to informed sources.

But Mr Paul Volcker, chairman of the Fed stressed yesterday that it would be utterly wrong to conclude that the Fed was easing its policies. The Fed was determined to attain its money growth targets.

His remarks came as several large banks cut their prime rates from 14 to 13 per cent and First National Bank in Miami, moved down to 12 per cent. Other banks are bound to follow, especially if the Fed does not increase bank reserve controls.

Such moves would be wholly consistent with Mr Volcker's comments on attaining the money supply targets. The latest money stock data show an alarming degree of money supply contraction.



Honda plan to expand in Belgium and Italy

Honda Motor Co of Tokyo is planning to expand motorcycle production capacity in Belgium and Italy.

It is building about 100,000 motorcycles a year at its wholly owned Belgian subsidiary, Honda Benelux NV in Aalst, while an Indo-Japanese joint company, IPA Industries SPA in Atessa, is assembling about 18,000 motorcycles a year.

Honda refused to elaborate on expansion plans, but said it wants to raise the local content of the motorcycle.

The company said it had no plans to start producing cars in Europe other than a new Honda car to be produced in Britain jointly with BL.

Investment rises

Net inflow of foreign investment in enterprises in Australia, excluding undistributed income, rose to \$AUS 360m (about £178m) in the first quarter of 1980 from the previous quarter's downward revised \$AUS 294m, preliminary bureau of statistics figures show.

US price of beef

The United States Federal Trade Commission in Washington is conducting a broad anti-trust investigation of the United States beef industry. The commission believes that supermarket chains may be charging "excessive retail prices for beef" and some companies may have engaged in price fixing and manipulation.

Bonn car recession

West Germany's car industry is beginning to feel the chill of recession. Official figures show production in the first four months this year was 6 per cent down from a year ago at 1.36 million cars while sales were almost 10 per cent down at 959,200.

Japan curbs loans

Japanese banks have been told by the finance ministry in Tokyo to restrain lending to developing countries through syndicated loans to an average 40 to 50 per cent of total loans, bank sources say.

'Oil companies who benefit most from the centre should fund it'

Aid for diving school to be phased out

The Government has told the offshore oil industry it is to phase out the £200,000 a year it pays to run the Underwater Training Centre at Fort William, Invernesshire, which passes out 100 deep sea divers a year.

The centre was set up by the Manpower Services Commission five years ago in response to concern over the number of divers who were losing their lives in developing North Sea oil.

Despite an increase in the number of divers operating offshore using saturation diving techniques, involving their living under high pressure conditions and breathing a mixture of oxygen and helium, accident rates in recent years have fallen.

The centre is partially responsible, the offshore industry believes, for the improvement in the safety record. But increased experience and greater knowledge of North Sea conditions has also played an important part.

After five years of government funding, however, the Department of Energy believes that the time has come for the industry to pay the cost of training the divers.

It is awaiting a proposal from offshore companies to start providing the finance to train saturation divers from around the end of the month, with all government aid for the deep sea school being brought to a close within the next couple of years. Finance for shallow diving is expected to continue.

The decision to cut off aid to the Fort William school is part of the general programme of spending cuts introduced

by the Government to reduce the public sector borrowing requirement. The department believes that the oil companies who use the divers should pay for their training.

Mr Hamish Gray, minister of state for energy, said yesterday: "Government has already made a substantial contribution towards the establishment and running of the Fort William Training School. The main beneficiaries are the oil companies and it is only right that over a period they should take over the funding of it. The industry appears to accept its responsibility and I do not envisage any difficulty in achieving an easy transition."

Difficulties, however, are being encountered. Oil industry representatives do not believe that if the school ceased to exist they would be short of divers. Competition to supply divers is high, the money they earn is good, and there is no shortage.

What would happen if Fort William were to close is that the number of British divers used in the United Kingdom and Norwegian sectors of the North Sea, would have been recruited or that the majority of divers would have been foreign nationals.

Oil industry men argue that the way to improve standards is through regulations on training. They have no objection to paying for the extra rates that increased regulations would imply, but that is essentially different to paying training of personnel supplied by a contractor.

The irony of the government's decision to phase out money for Fort William is that the Norwegians have just opened a school for divers heralded by the industry as the most important single contribution to increased safety in diving so far made by the Norwegian authorities.

of money which is required for training. The oil companies' offer to pay for the school through higher rates, does not seem good enough.

The companies appear to have accepted with reluctance that they may have to pay for the future training of a group of men who are essential to their operations.

Nevertheless, the attitude of the department, in view of the lives at stake and the amount of revenue produced from off-shore oil, has appeared to be penny-pinching.

Until the Fort William school was set up, there was no centre anywhere in the United Kingdom for the training of deep sea divers. Had it not been created there would have been the chance either that inadequately trained divers would have been recruited or that the majority of divers would have been foreign nationals.

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Nicholas Hirst

Yugoslavia praised by OECD

From Peter Norman

Brussels, June 9

The Organization for Economic Cooperation and Development today awarded high marks to Yugoslavia for the way in which the country's economy was managed in the latter years of President Tito's administration.

But it warned his successors that they would have to adjust economic and social goals to the less favourable world economic environment in drawing their plans for the country's economy in the years between 1981 and 1985.

Yugoslavia's achievement has been to keep economic growth at a high annual level of more than 6 per cent since 1973, despite the oil crisis of that year and the associated decline in the growth of world trade.

The OECD noted that this

economic growth record has caused some strains in the economy, such as inflation running at a year on year rate of 23 per cent and a big increase in the country's current account balance of payments deficit to \$3,400m last year. But in their annual report on Yugoslavia the OECD's economists today said they expected stabilization measures introduced by the government in Belgrade will produce some positive results in the course of this year.

The company was formed in

February 1979, by two EMI engineers.

After frustrating negotiations with financiers in the city and government, the engineers won backing from private sources which they are reluctant to disclose.

The company is now 10 strong, largely formed from the medical electronics group of EMI and is operating from a manufacturing base in St Albans.

Engineers leaving a company

and going it alone is not in itself unusual. What is surprising is that those at Meditech have chosen a market which has been the cause of huge losses already sustained by companies several hundreds of times their size.

The company's move comes in

the wake of the sale of EMI's

medical interest in scanners to

its American rival General

Electric (GE).

Under the terms of that

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\$37.5m, EMI withdrew from

the scanner market which it

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before.

The engineers have been

heavily involved in research

and are finishing prototype

production experiments with a

view to full production next

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Meditech is making its pre-

sentence at Olympia, at the

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tion, and at Harrogate at the

Radiographers' annual confer-

ence. This not only reflects the

company's confidence but also

the fact that budgets will be

allocated this year for pur-

chases next.

Depending on sales, Meditech

intends to produce 10 to 25

systems a year which will retail

at £150,000 each.

Former EMI engineers launch medical scanner

By Bill Johnstone

A small company, Meditech, Engineering, set up by former design engineers from EMI, medical is almost ready to market a medical scanner which it believes will compete with the best in Europe.

The company was formed in February 1979, by two EMI engineers. After frustrating negotiations with financiers in the city and government, the engineers won backing from private sources which they are reluctant to disclose.

The company is now 10 strong, largely formed from the medical electronics group of EMI and is operating from a manufacturing base in St Albans.

Engineers leaving a company and going it alone is not in itself unusual. What is surprising is that those at Meditech have chosen a market which has been the cause of huge losses already sustained by companies several hundreds of times their size.

The company's move comes in the wake of the sale of EMI's medical interest in scanners to its American rival General Electric (GE).

Under the terms of that agreement which lost GE \$37.5m, EMI withdrew from the scanner market which it had effectively created 8 years before.

The engineers have been heavily involved in research and are finishing prototype production experiments with a view to full production next year.

Meditech is making its pre-sentence at Olympia, at the British Hospital Medical Exhibition, and at Harrogate at the Radiographers' annual conference. This not only reflects the company's confidence but also the fact that budgets will be allocated this year for purchases next.

Depending on sales, Meditech intends to produce 10 to 25 systems a year which will retail at £150,000 each.

EEC delays damaging textile trade in Britain

By John Huxley

British textile leaders have accused the European Commission of often failing to prevent serious damage to the industry by taking too long over complaints about low-cost imports.

The engineers intend to pay a royalty to EMI for the benefit of any EMI scanner technology they use in their design.

The board of the company consists of two of the original founders of the group, a surgeon and a representative of one of their bankers.

The engineers have been heavily involved in research and are finishing prototype production experiments with a view to full production next year.

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LETTERS TO THE EDITOR

Smaller companies could follow French system on pensions

From Mr P. D. Jones

Sir, I can well understand Miss Jean Wilding's point (Letters, June 5) about firms going into liquidation. My earlier suggestion for pay-as-you-go indexation with the cost shared between employer and employee to steer people away from Mr Jones' simplistic belief that "pay as you go" is the panacea for all our ills.

So far as smaller employers

are concerned, there is another possibility, and this is the system adopted in France under which the industry concerned takes overall responsibility for pensions matters covering all the firms operating within it. In the case quoted by Miss Wilding, the publishing industry would now have the responsibility to look after retired former employees, even if the particular firm they worked for no longer exists.

On Miss Wilding's final point, I fully agree that pensioners without indexation are an underprivileged group. The Government, with its clear responsibility for the current level of inflation, is shirking its duty to do something (e.g. index-linked savings bonds) for this unfortunate group of people.

Having said this, however, the existence of an underprivileged group is surely no valid reason for attacking others who have made prudent arrangements—particularly, as in the Civil Service case, at virtually no extra cost to the taxpayer.

Yours sincerely,

P. D. JONES,

Secretary,

Council of Civil Service Unions,

19 Rochester Row,

London SW1P 1LB.

June 5.

From Mr D. C. Bandey

Sir, Contrary to the views of Mr Jones I know of no "hows" of rage from the "pension industry" and I have the privilege of representing a sub-

ject which is a fact that a number of them are an underprivileged group. The Government, with its clear responsibility for the current level of inflation, is shirking its duty to do something (e.g. index-linked savings bonds) for this unfortunate group of people.

He criticized the commission's "slowness in obtaining new restraints where necessary, under the special mechanism contained in the agreements". Moreover, when quotas are introduced to limit our total low cost imports of particularly sensitive products have been repeatedly breached, to an extent sufficient to cause disruption to our market". He said this harmed the credibility of the European Community's policy on textiles.

The confederation says that employment fell by about 30,000 to little more than 450,000 last year. In recent months job losses have increased.

Mr Regan, who is also chairman of Carrington Velle, says that the time taken by the commission in agreeing to unilateral quotas on fibre imports into the United Kingdom is "totally unacceptable". The agreed quotas also proved inadequate.

It was stated at the time that

the £5m was a loan, to be repaid from profits as they accrued to the companies. I have often wondered what happened to this money. I believe that the money is so far they are going these two markets. It also puts a mark against Dr to £5m net exp

If history is a by, Sir Keith should be set a trap to money after having something to do with getting something to do with the British capability, the defence budget, and not disguised

Yours affinately,

D. M. RYAN,

Technometrics Ltd,

Manor House,

Moreton,

Dorchester DT2 8

BRITISH HOME STORE

Highlights from the Statement by the Chairman, Sir Jack Callahan

■ Increased merchandise sales volume

■ Improved pre-tax profit margin on sales excluding VAT

BY THE FINANCIAL EDITOR

Landsits' confident call for cash

urines £108m cash call jolted even

ics who began taking profits after

this news of an indicated 25 per

cent in the portfolio value.

succeeded in removing for the

use which had lifted the property

around 20 per cent this year.

Landsits can be confident of a

loss. So confident in fact that it

is used with a dividend forecast

have already shown that

they still have faith in British

and particularly if it is in the capital,

with almost 70 per cent of its

in London and a reputation for

union provides the perfect medium

only when the shares represent a

to assets of only one-third.

borrows of only £303m repre-

70 per cent of shareholders' funds,

is hardly pushed for cash. But

development schemes of over £79m

opportunities in view.

distaste for joint schemes with

is, and no wish to incur capital

on property sales, the only other

is would be borrowings. And

is cautious enough to hold gearing

possible at all times,

extreme historic yield of 3.6 per

issue represents cheap cash in-

Landsits has been a sound invest-

up could have queered the pitch

in the sector, though. With prime

low as 44 per cent the sector is

heavily on hopes of a fall in

the market. This has already brought profit-

the recession starts to create

disasters among tenants and pro-

vides Landsits could see rent

reversions increasing profits

two-fold in the next eight years.

per cent profits rise to £38.1m

£46m could be in prospect to

extreme p/e ratio of 27.

petroleum

amour

ing.

the accounting picture

at British Petroleum is one

ually all the profits are now com-

forth America and the North Sea

use amounts of capital tied up in

team operations making little or

it all.

they likely to either with BP's

upply problems following the loss

supplies from Nigeria and Iran

to buy in higher priced marginal

the spot market, and the likely

getting on for 500,000 b/d this

get worse.

ent, however, BP appears to have

its crude shortages a little bet-

pected in the first quarter. Net

the first three months of £50.4m

well up on last year's £27.0m

sharp rise in oil prices. But more

gly it is also slightly up on the

er of last year when BP made

the pension top-up.

nce of the Opec retroactive price

artly explains why margins have

while the price advantage enjoyed

unco partners from their access

Saudi supplies does not seem to

exploited too aggressively in in-

ker share.

will find the crude shortage is

burdenous and that situation

eriorate as the year wears on.

BP now prefers to show the

the FIFO adjustments in terms of

st figures although these show

net income in the first quarter

as slightly below that of the last

1979.

partly due to the switch from a

FIFO basis for Sohio which de-

contribution from £17.7m in the

last year to £13.5m.

the growing maturity of the

interests is starting to be felt in

the same period last year push-

erall tax bill up by 174 per cent

With crude oil sales now all but gone

and chemicals and plastics now in "severe

decline" the worsening prospects BP re-

ferred to in its annual report appear to be

showing up faster than at Shell. Net income

is up 20 per cent this year.

Landsits can be confident of a

loss. So confident in fact that it

is used with a dividend forecast

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they still have faith in British

and particularly if it is in the capital,

with almost 70 per cent of its

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union provides the perfect medium

only when the shares represent a

to assets of only one-third.

A little more order will be

brought into the chaotic staff

representation in the banks by

the formation of the new union

for the whole banking and

finance industry the Clearing

Bank Union will come into

being on August 1 through the

amalgamation of staff associa-

tions at Barclays, Lloyds and

National Westminster banks.

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Ewer

is aiming to have
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a few hours after
holders have given
the deal the go-ahead.
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Tom Cowie, adding
d pin no hopes on

Zambia to spend £86m on boosting cobalt output

By Ruth Weiss and
Michael Press

Zambia, one of the world's biggest copper producers, is to spend £86m over the next five years on refinery capacity to increase its cobalt output from about £2,700 tonnes a year to 10,000 tonnes. The development is partly possible because Zambia's cobalt grades are rising sharply, and will offset rising earnings from copper.

If the takeover of Eastern Tractors, the for which Ewer has actually bid, has the up per share. Without it is worth 55p per

uble is it is unlikely

will know by Monday

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FINANCIAL NEWS

Leigh Interests beats its forecast with £1.1m

By Peter Wilson-Smith

Leigh Interests, the Black Country waste disposal experts, raised profits by two-thirds to £1.10m before tax in the year to March 31, beating the £1m forecast made just before the year end when Leigh raised £253m with an issue of convertible loan stock.

As forecast, the final dividend is 4.81p gross leaving the year's total up by 13 per cent at 7.14p. At the net level the dividend was covered just over twice by earnings of 10.6p a share compared with 8.0p in 1978-79.

Leigh's waste disposal activities contributed a larger share

of profits in 1979-80, accounting for 30 per cent of the group total. This division was also responsible for £4.2m of the £1.10m before tax in the year to March 31, beating the £1m forecast made just before the year end when Leigh raised £253m with an issue of convertible loan stock.

The two wholly-owned Sealosafe liquid waste processing plants in the West Midlands operated profitably, and Leigh is now building a third plant in Yorkshire. However, Mrs Joan Agar, chairman, warns that the downturn in industrial activity was beginning to affect business in the final quarter of the year. The Sealosafe plant jointly owned with Tunnel Holdings was short of work and

made a loss, though smaller than the previous year.

Leigh's other activities produced improved profits from the Ford motor dealership, which has now been moved to a site in Perry Barr. Higher profits from the building supplies companies were largely cancelled out by losses from the extracting business, where management has been changed.

After spending £2.6m on

waste disposal sites and pro-

cessing plant, Leigh ended the year with borrowings equal to 14 per cent of shareholders' funds, excluding the cash raised from the convertible issue.

Shares rise as Pegler results cheer market

By Peter Wilson-Smith

After seeing profits fall by a quarter in the first half, Pegler-Hattersey stemmed the second-half slide to 4 per cent to leave full-year profits about £1.7m lower at £12.4m before tax.

The outcome was at the top end of market expectations and, combined with a small increase in the final dividend to put the total up by 6 per cent to 13.6p gross, was enough to raise the shares 11p higher to 111p.

However, the outlook for the current year is uncertain. Pegler says it is impossible to forecast but order intake has slackened appreciably since April.

The group has also recently announced redundancies in its building products division—one of the few areas to increase profits in 1979-80—where a fifth of the workforce at Pegler's in Doncaster will lose their jobs. There are also believed to be plans for redundancies in other parts of the group.

In contrast to many manufacturing companies, Pegler-Hattersey enters the recession with a strong balance sheet. Despite capital spending of

Getty Oil bids for ERC

International

Getty Oil Company of Los Angeles has offered to acquire ERC Corporation for \$97 a share in a transaction Getty estimates will cost it a net cash payment of about \$570m (about £243m).

ERC chairman, Mr Sanford Miller, said in Kansas City, Missouri, that he welcomes the Getty proposal and will recommend that directors accept it when they meet to discuss it.

ERC is a holding company that owns one reinsurance and three life insurance companies.

The acquisition would mark Getty's full-scale entry into the insurance business, although it was involved in a small casualty

insurance operation through a subsidiary several years ago.

Asked to explain the reason for the ERC merger plan, a Getty spokesman said: "Reinsurance is a growing business that provides financial flexibility without requiring an elaborate and large marketing organization".

He said the move should not be interpreted as Getty departing from the petroleum business.

The transaction is subject to approval by the securities and

The spokesman said Getty plans to devote 70 to 75 per cent of future capital expenditures to petroleum activities even with the acquisition of ERC.

He said ERC's 1979 net income of \$47.5m represented under 8 per cent of Getty's total 1979 net profits of \$564.4m.

ERC's revenues last year totalled about \$536m, while Getty's revenues were \$512bn.

Getty said it anticipates the tender offer will be effective on or about June 11, after a filing with the Securities and Exchange Commission.

The transaction is subject to approval by the securities and

exchange commission.

This is in spite of

in turnover from £4.2m producing profit of £9.3m as

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Interest charges Wigfall results

By Michael Clark

High borrowing

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Stock Exchange Prices

Equities drift

ACCOUNT DAYS: Dealings Began, June 2. Dealings End, June 13. Settlement Day, June 16. Settlement Day, June 23

§ Forward bargains are permitted on two previous days

BELL SCOTCH WHISKEY **BELL**

Dividend. a Ex div. b Forecast dividend. c Interim payment passed. f Price at which dividend yield exclude a special payment. g Pre-merger figures. h Forecast earnings distribution. r Exrights. s Ex script or stock. t Price adjusted for late dealing.

Motoring

The motorists' friend and champion

The Seventy-fifth anniversary of the Automobile Association has been marked by the publication of a typically large and attractively produced official history which reminds us that the association plays, and has always played, two separate roles.

On the one hand it provides services to members in return for an annual subscription, advising on routes and traffic conditions, appointing garages, dealing with roadside breakdowns. On the other, it acts as a motorists' pressure group, never shy to add its voice to public controversies.

That duality was implicit in the formation of the AA in 1905. It was largely set up to provide patrols that could give warnings to motorists of the police speed traps that were so outraging the car driving fraternity. In one way or another motorists have felt themselves persecuted ever since, and the AA has been a willing champion.

Whenever the Chancellor of the Exchequer increases car tax or petrol duty, the AA is there with its denunciation of yet another blow against the already battered motorist. Often, it must be said, such comments are offered more as a ritual than in the hope that they will change anything.

Indeed just how much notice is taken of the AA, which does, after all, have more than five million members, is hard to determine. The very size of the membership means that it cannot realistically be consulted. The dozen or so members who turn up for the annual meeting do not necessarily voice the opinions of the many who stay away.

So is the AA representative? How many of the five million support its (to my mind) courageous and correct advocacy of the compulsory wearing of seat belts? Short of sending out questionnaires, which would be prohibitively expensive, the answer can only be guessed. Yet unless the AA can claim to reflect the broad view of its members, what weight do its pronouncements carry?

That is one of the issues touched upon by Hugh Bart-King in his comprehensive *The AA: A History of the First 75 Years of the Automobile Association 1905-80*. As

might be expected from a body once associated with the *Reader's Digest*, the book is weighty and generously illustrated, as it must be to justify a price of £14.95.

Although obviously limited by the need to set out the official record, Mr Bart-King is pleasantly frank and does not avoid such contentious issues as the AA's once



The Citroen CX Reflex—character, flair and a new engine.

feudal attitude to labour relations, its traditional secrecy on financial matters and the notorious self-perpetuating committee.

He also relates the development of the AA to the wider motoring context, showing how, around 1920, the association pioneered the roadside service station and played a big part in the development of national signposting. In charting the fortunes of the AA, he provides a social history of motoring.

One of the AA's most controversial decisions of recent years has been to enter commercial areas

like book publishing, holidays and insurance. Critics say that is an unwarranted diversion from the central function of looking after the motorist; the AA retorts that such activities make money and help to contain costs.

The most recent example of such enterprise is the *Book of British Villages* (£10.95), where, again, the *Reader's Digest* influence is plain. The book is splendid to look at, with fine colour illustrations on almost every page, but written, apart from special contributions by John Arlott, Richard Adams, Professor W. G. Hoskins and others, in a rather anonymous style. About 700 villages are described and if the book sells they could soon be choked with cars.

Test: Citroen CX Reflex

To drive a Citroen, and particularly the CX, is to enter a different world of motoring, one of character, flair and, some would say, eccentricity. The feel of the

suspension, steering and brakes immediately marks the Citroen out from the common run. Even in its details, the single windscreen wiper, the "piano key" controls, the revolving drum instruments—a Citroen could be no other car.

About most cars it is possible to be neutral, unenthusiastic while recognizing that a steel box with a wheel at each corner that travels faithfully from A to B is, for most motorists, the heart of the matter. The Citroen aims much higher and inevitably provokes strong feelings: for some it is an engineering delight for others a riot of gimmickry that can be expensive to maintain and repair.

This writer leans heavily towards the first view, though from the happy position of not having to pick up the bills. A Citroen proclaims that there can be more to designing a car than is apparent from a Cortina or a Marina or most Japanese vehicles and the proof is in the driving: *cog au vin* versus chicken and chips.

The Reflex is a significant development of the big CX car, dropping the venerable Citroen two-litre engine in favour of the modern, all-alloy overhead camshaft unit developed jointly by Peugeot and Renault. It comes to Citroen by courtesy of the merger with Peugeot, one of many current examples of how companies competing in the showrooms are pooling resources to mutual advantage.

On all counts the new engine is an improvement, giving considerably better fuel economy, a useful boost to performance and quieter running. The original CX two-litre

was not the fleetest in its class and it would be wrong to pretend that the Renault/Peugeot engine has transformed the car. But acceleration is a little sharper, there is better pulling power and a higher maximum speed.

The impressive gain, however, is in economy. According to the government figures the car does four miles more to the gallon in town driving than its predecessor, and open road consumption is lower, too. My average, in mixed conditions, was a creditable 27 mpg. The five-speed version, the Atena, makes long distance cruising more economical still.

Otherwise the virtues of the CX are those that won it the Car of the Year award on its introduction six years ago. They stand with the superb ride quality provided by the hydro-pneumatic self-levelling suspension; the ultra-responsive (some might find it too responsive) VariPro steering system which manages to be acceptably light with only two and a half turns from lock to lock; and the all-disc brakes that react to the most touch.

To the soft suspension are allied generously upholstered seats into which one sinks as into an armchair and there is plenty of legroom back and front, though a tall driver could find his head rather near the roof. The car can be criticized for an indifferent ventilation system, somewhat rubbery gear-change and, perhaps, for its sheer size (15ft 3in long), which makes it not the easiest of vehicles to park.

Enjoyment of any car must, in the last resort, be a matter of taste and contrary to what

there will be those who will ride the CX, damped, the bodyroll, the seats too squashy, there are plenty of cars. Prices went up, the Reflex now costs the better equipped

Quieter Mins

BL has belatedly got the most persistent of the Mini by introducing sound deadening measures to reduce interior to seven decibels.

Few areas of the overlooked. There, bonded to the roof headlining, both sides bulkhead have been even the front air intakes have been treated so that it engine noise. From areas are now covered and applied to the rear floor and back parcel.

Another change is 850 and 1000 mode gallon fuel tank at the Clubman. The engine capacity should and most heavy-footed 300 miles between fills.

Sir Alex Issigonis, Mini's looking arrangements, the who in production after the slightly bigger Metro in October.

Pete

COLLECTORS CAR STORE

1921 Silver Ghost Tourer, 7,000 miles from new. Mint condition. £65,000

Phantom III Sports Saloon Beautiful car in super condition. £17,000

Sunbeam Talbot Tourer 10 £3,500

Avis T.E.D. 21 D.B.C. £3,100

Arriving this week: Type 44 Bugatti coupé, MG TF, Mercedes 300 SL, Lagonda 3-litre Saloon, Lancia di Lancia d.h.c., Riley Lynx.

Many other cars in stock. Fine cars housed, advertised and sold from only 2% per cent commission.

We are also brokers for about 150 other cars, from 1914 Simplex to 1974 Corniche. Urgently required more Daimler cars for our customers.

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